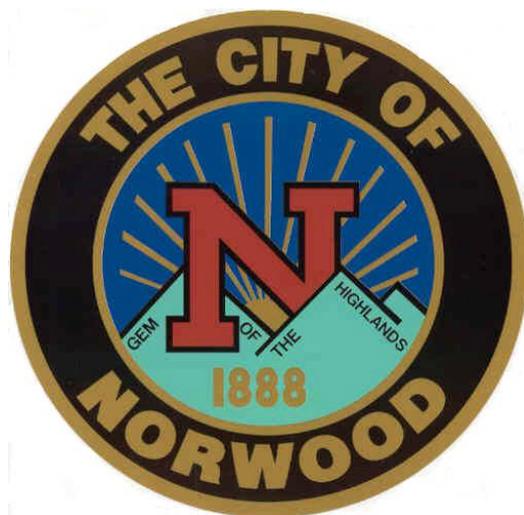


City of Norwood

Hamilton County, Ohio

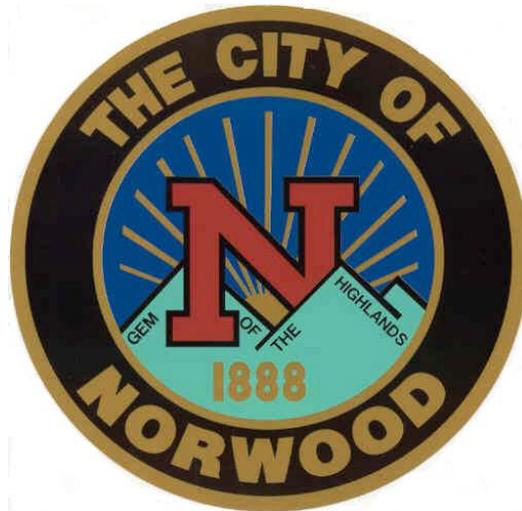
Financial Report

For the Year Ending
December 31, 2007



Financial Report

For the Year Ending
December 31, 2007



Prepared by the Auditors Office

James P Stith II
City Auditor

&

Marcus Patterson, MBA
Deputy Auditor

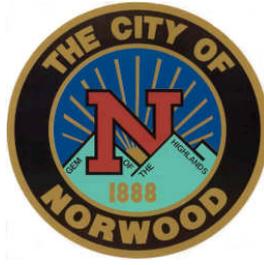


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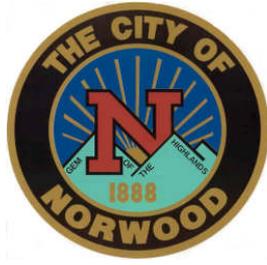
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Management Discussion and Analysis

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Discussion and analysis of the City of Norwood's financial performance provides an overall review of the City's financial activities for the year ending December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2007 are as follows:

- The City's total governmental activities' net assets increased \$10,123,584, which represents a 51.5 percent increase from 2006. Business-type activities net assets increased \$1,249,437 which represents a 62.5 percent increase from 2006.
- For governmental activities, general receipts accounted for \$21,448,991 or 85.2 percent of all receipts. Program receipts in the form of charges for services, operating and capital grants, contributions, and interest accounted for \$3,717,815 or 14.8 percent of total receipts of \$25,116,806.
- The City had \$23,968,845 in disbursements related to governmental activities; only \$3,717,815 of these disbursements were offset by program specific charges for services, grants, contributions, and interest. General receipts (primarily property and municipal income taxes) were \$21,448,991.
- Enterprise funds reflected a total operating income of \$4,554,400. The Water and Refuse funds reflected an operating income (or loss) of \$(257,859) and \$44,009, respectively. The water and refuse operations, decreased in net assets by \$213,850.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Report Components

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

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

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

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

Basis of Accounting

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

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities

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

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

In the statement of 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, 2007
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, 2007
Unaudited**

THE CITY AS A WHOLE

Table 1 provides a summary of the City's net assets at for 2007 compared to 2006 on a modified cash basis:

Table 1 Net Assets

	<u>Governmental Activities</u> 2006	<u>Business Type Activities</u> 2006	<u>Totals</u> 2006
Assets:			
Equity Pooled in Cash and Cash Equivalents	\$5,088,874	\$448,021	\$5,536,895
<u>Capital Assets</u>	<u>14,587,256</u>	<u>1,552,551</u>	<u>16,139,807</u>
Total Assets	19,676,130	2,000,572	21,676,702
Net Assets:			
Invested Capital Assets of Related Debt	14,587,256	1,552,551	16,139,807
Restricted	3,324,583	0	3,324,583
<u>Unrestricted</u>	<u>1,764,291</u>	<u>448,021</u>	<u>2,212,312</u>
Total Net Assets	<u>19,676,130</u>	<u>2,000,572</u>	<u>21,676,702</u>
	<u>Governmental Activities</u> 2007	<u>Business Type Activities</u> 2007	<u>Totals</u> 2007
Assets:			
Current & Other Assets	\$15,360,594	\$1,637,268	\$16,997,862
<u>Capital Assets</u>	<u>14,439,120</u>	<u>1,612,741</u>	<u>16,051,861</u>
Total Assets	29,799,714	3,250,009	33,049,723
Liabilities:			
Current & Other Liabilities	4,350,597	621,298	4,971,895
<u>Long Term Liabilities</u>	<u>24,208,402</u>	<u>144,299</u>	<u>24,352,701</u>
Total Liabilities	28,558,999	765,597	29,324,596
Net Assets:			
Invested Capital Assets of Related Debt	(7,197,571)	1,468,442	(5,729,129)
Restricted for:			
Capital Outlay	145,892		145,892
Other Purposes	4,659,937		4,659,937
<u>Unrestricted</u>	<u>3,632,457</u>	<u>1,015,970</u>	<u>4,648,427</u>
Total Net Assets	<u>1,240,715</u>	<u>2,484,412</u>	<u>3,725,127</u>

As mentioned previously, net assets of governmental activities increased \$10,123,584 or 51.5 percent during 2007. The primary reasons contributing to the increase in cash balances is earnings tax revenues increased 14.9 percent due to an increase in private business activity in the City.

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

Table 2 reflects the changes in net assets in 2007 as compared to 2006.

	Table 2 Changes in Net Assets			
	Governmental Activities	Governmental Activities	Business- Type Activities	Business- Type Activities
	2006	2007	2006	2007
Receipts:				
Program Receipts:				
Charges for Services	\$ 2,869,005	\$ 2,011,725	\$ 4,019,008	\$ 4,340,550
Operating Grants and Contributions	1,882,825	1,235,179		
Capital Grants	86,614	470,911		
Total Program Receipts	<u>4,838,444</u>	<u>3,717,815</u>	<u>4,019,008</u>	<u>4,340,550</u>
General Receipts:				
Property Taxes Levied for:				
General Purposes	3,335,759	4,002,972		
Income Tax	13,662,821	15,692,244		
Grants and Entitlements not Restricted				
to Specific Programs	891,338	1,358,038		
Gifts and Donations	51,925	150,300		
Investment Earnings	105,507	245,149		
Miscellaneous	3,596,998	74,018	713	8,276
General Obligation Bonds Issued	12,612,145	(73,730)		
Total General Receipts	<u>34,256,493</u>	<u>21,448,991</u>	<u>713</u>	<u>8,276</u>
Total Receipts	<u>39,094,937</u>	<u>25,166,806</u>	<u>4,019,721</u>	<u>4,348,826</u>
Program Disbursements:				
General Government:				
Legislative and Executive	4,533,886	4,572,602		
Judicial	125,106	122,872		
Security of Persons and Property:				
Police	6,971,209	6,625,905		
Fire	8,785,588	7,663,184		
Public Health	970,323	1,069,598		
Leisure Time Activities	531,745	458,717		
Community and Economic Development	12,518,487	111,612		
Public Works	9,699	20,447		
Basic Utility Services	353,205	416,023		
Transportation	1,135,064	1,237,913		
Intergovernmental				
Capital Outlay	8,561	442,806		
Debt Service	1,783,319	1,137,436		
Water / Refuse			4,546,745	4,554,400
Total Disbursements	<u>37,726,192</u>	<u>23,968,845</u>	<u>4,546,745</u>	<u>4,554,400</u>
Increase(Decrease) in Net Assets	<u>1,368,745</u>	<u>1,197,961</u>	<u>(527,024)</u>	<u>(205,574)</u>

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

Program receipts represent only 14.8 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 85.2 percent of the City's total receipts, and over 87.8 percent of general revenue is local taxes. Property taxes make up 14 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 14.7 percent of the City's receipts.

Governmental Activities

The 2.0% earnings tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent approximately 73.2% of the City's governmental activities revenue. The earnings tax is used to pay the cost of many city services including general government, security of persons and property, and public health services. In 2007 there was a substantial increase in earnings tax revenue due to an increase in local private business activities.

If you look at the Statement of Activities on page 6, 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 59.6 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 19.6 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

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

(Table 3)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
General Government				
Legislative & Executive	\$4,572,602	(\$3,857,051)	\$4,533,886	(3,712,869)
Judicial	122,872	151,585	125,106	192,739
Security of Persons and Property				
Police	6,625,905	(6,511,849)	6,971,209	(6,769,405)
Fire	7,663,184	(7,132,239)	8,785,588	(8,378,260)
Public Service	83,177	(83,177)	9,699	76,922
Public Health	1,069,598	(885,345)	970,323	(783,342)
Leisure Time Activities	485,717	192,773	531,745	340,561
Economic Development	111,612	(105,116)	12,518,487	(12,356,438)
Basic Utilities	416,023	(416,023)	353,205	(353,205)
Transportation	1,237,913	(24,346)	1,135,064	647,429
Capital Outlay	442,806	(442,806)	8,561	(8,561)
Debt Service	<u>1,137,436</u>	<u>(1,137,436)</u>	<u>1,783,319</u>	<u>(1,783,319)</u>
Total Expenses	<u>\$23,968,845</u>	<u>(\$20,251,030)</u>	<u>\$37,726,192</u>	<u>(\$32,887,748)</u>

The dependence upon property and income tax receipts is apparent as 87.2 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.

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

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

**CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007
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 accrual basis of accounting. In total, all governmental funds reported revenues of \$21.4 million and expenses of \$28.5 million.

Within the General Fund, there were receipts of \$21,146,735 and disbursements of \$18,590,768. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$3,455,824 as the result of increased earnings tax revenue.

The Permissive Tax Fund had receipts of \$ 132,742 and disbursements of \$ 364,418. The fund balance of the Permissive Tax Fund increased \$ 320,674 as the result of increased expenditures for the Williams Ave Sewer Project. The Economic Development Fund had receipts of \$ 6,496 and disbursements of \$ 121,084. The fund balance of the Economic Development Fund increased \$ 431,084 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 2007, 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 \$ 18,862,537 for the General Fund. Actual disbursements were \$ 18,590,768. This results in an increase in the fund balance of \$ 271,769 for 2007.

The City has two major special revenue funds. In the Permissive Tax Fund final disbursements were budgeted at \$ 677,350 while actual disbursements were \$ 364,418. This results in an increase in the fund balance of \$ 312,932 for 2007. In the Economic Development Fund final disbursements were budgeted at \$ 517,937 while actual disbursements were \$ 121,084. This results in an increase in the fund balance of \$ 396,853 for 2007.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007
 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, 2007 amounts to \$14.4 million (net of accumulated depreciation).

	<u>Governmental Activities</u>		<u>Business Type Activity</u>		<u>Total</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Land	\$4,077,513	\$4,077,513	\$0		\$4,077,513	\$4,077,513
CIP	\$61,975	98,800			\$61,975	98,800
Land Improvements	821,374	762,359	0		821,374	762,359
Buildings	2,065,579	2,105,075	0		2,065,579	2,105,075
Equipment	703,277	743,546	16,800		720,077	743,546
Vehicles	1,520,314	1,558,905	4,365		1,524,679	1,558,905
Infrastructure	<u>5,337,224</u>	<u>5,092,921</u>	<u>1,531,386</u>		<u>6,868,610</u>	<u>5,092,921</u>
Totals	<u>\$14,587,256</u>	<u>\$14,439,119</u>	<u>\$1,552,551</u>		<u>\$16,139,807</u>	<u>\$14,439,119</u>

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, 2007 the City had \$21.3 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	\$ 197,672
1994 OPWC - Improvement Water	3%	January 1, 2010	144,299
2003 OPWC - Montgomery Road Phase II	0%	January 1, 2024	514,186
Special Assessment Debt:			
2003 Central Parke Project	8.5%	March 1, 2015	2,085,643
General Obligation Bonds:			
Various Purpose Bonds	3.38%	April 1, 2015	6,195,752
2005 TIF Revenue Anticipation Notes	4.0%	December 1, 2031	12,203,490
Total			\$21,341,042

The City's overall legal debt margin was \$41,727,622 as of December 31, 2007. The more restrictive unovted legal debt margin was \$21,857,326 as of the same date. See Note 10 of the basic financial statements for more details.

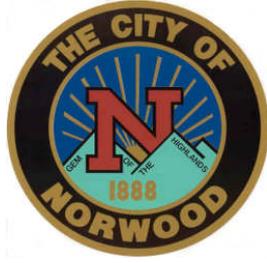
**CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007
Unaudited**

ECONOMIC AND OTHER POTENTIALLY SIGNIFICANT MATTERS

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, 2007

	<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	\$ 6,364,706	\$ 538,228	\$ 6,902,934
Accrued Interest Receivable	7,713		7,713
Accounts Receivable	142,242	1,172,770	1,315,012
Internal Balances		(73,730)	(73,730)
Intergovernmental Receivable	919,183		919,183
Income Taxes Receivable	2,877,604		2,877,604
Property and Other Local Taxes Receivable	2,963,503		2,963,503
Special Assessments Receivable	2,085,643		2,085,643
Noncurrent Assets:			
Land	4,077,513		4,077,513
Capital Assets:			
Land Improvements	1,482,809		1,482,809
Building and Building Improvements	4,256,410	54,890	4,311,300
Equipment	1,764,154	92,102	1,856,256
Vehicles	3,695,993	163,198	3,859,191
Infrastructure	12,980,461	2,759,067	15,739,528
Construction in Progress	98,800		98,800
Accumulated Depreciation:			
Land Improvements	(720,450)		(720,450)
Buildings & Building Improvements	(2,151,335)	(54,890)	(2,206,225)
Equipments	(1,020,608)	(67,836)	(1,088,444)
Vehicles	(2,137,088)	(163,198)	(2,300,286)
Infrastructure	(7,887,539)	(1,170,592)	(9,058,131)
<i>Total Assets</i>	<u>29,799,714</u>	<u>3,250,009</u>	<u>33,049,723</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	152,777	227,116	379,893
Accrued Wages and Benefits	399,965	14,334	414,299
Contracts Payable	3,889		3,889
Intergovernmental Payable	981,064	379,848	1,360,912
Accrued Interest Payable	229,713		229,713
Deferred Revenue	2,561,062		2,561,062
Loans Payable	22,127		22,127
Noncurrent Liabilities:			
Long-Term Liabilities:			
Due Within One Year	1,282,813	38,734	1,321,547
Due in More Than One Year	22,925,589	105,565	23,031,154
<i>Total Liabilities</i>	<u>28,558,999</u>	<u>765,597</u>	<u>29,324,596</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	(7,197,571)	1,468,442	(5,729,129)
Restricted for Debt Service	1,848,287		1,848,287
Restricted for Capital Outlay	145,892		145,892
Restricted for Other Purposes	2,811,650		2,811,650
Unrestricted	3,632,457	1,015,970	4,648,427
<i>Total Net Assets</i>	<u>\$ 1,240,715</u>	<u>\$ 2,484,412</u>	<u>\$ 3,725,127</u>

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

	<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	\$ 4,572,602	\$ 713,860	\$ 1,691		\$ (3,857,051)	\$ (3,857,051)
Judicial System	122,872	274,457			151,585	151,585
Security of Persons and Property:						
Police	6,625,905	112,556	1,500		(6,511,849)	(6,511,849)
Fire	7,663,184	430,339	100,606		(7,132,239)	(7,132,239)
Public Services	62,730				(62,730)	(62,730)
Public Health	1,069,598	67,660	116,593		(885,345)	(885,345)
Lesiure Time Services	485,717	212,289	238,125	228,076	192,773	192,773
Community and Economic Development	111,612		6,496		(105,116)	(105,116)
Public Works:						
Refuse	20,447				(20,447)	(20,447)
Transportation	1,237,913	200,564	770,168	242,835	(24,346)	(24,346)
Capital Outlay	442,806				(442,806)	(442,806)
Interest and Fiscal Charges	416,023				(416,023)	(416,023)
Debt Service:						
Principal Retirements	1,137,436				(1,137,436)	(1,137,436)
<i>Total Governmental Activities</i>	<u>23,968,845</u>	<u>2,011,725</u>	<u>1,235,179</u>	<u>470,911</u>	<u>(20,251,030)</u>	<u>(20,251,030)</u>
Business-Type Activities:						
Refuse Collections	1,206,583	1,250,592				44,009
Water	3,347,817	3,089,958				(257,859)
<i>Total Business-Type Activities</i>	<u>4,554,400</u>	<u>4,340,550</u>				<u>(213,850)</u>
<i>Totals</i>	<u>\$ 28,523,245</u>	<u>\$ 6,352,275</u>	<u>\$ 1,235,179</u>	<u>\$ 470,911</u>	<u>(20,251,030)</u>	<u>(213,850)</u>
General Revenues:						
Taxes:						
Property Taxes					3,003,974	3,003,974
Income Taxes					15,692,244	15,692,244
Municipal Motor Vehicle Taxes					120,705	120,705
Other Taxes					5,329	5,329
Payments in Lieu of Taxes					872,964	872,964
Grants and Entitlements not Restricted to Specific Programs					1,358,038	1,358,038
Unrestricted Contributions					150,300	150,300
Investment Earnings					245,149	245,149
Miscellaneous					74,018	82,294
					8,276	82,294
Transfers					(73,730)	(73,730)
Proceeds of OPWC Loans						0
					0	0
<i>Total General Revenues and Transfers</i>					<u>21,448,991</u>	<u>8,276</u>
<i>Change in Net Assets</i>					1,197,961	(205,574)
<i>Net Assets Beginning of Year</i>					42,754	2,689,986
<i>Net Assets End of Year</i>					<u>\$ 1,240,715</u>	<u>\$ 2,484,412</u>
						<u>\$ 3,725,127</u>

City of Norwood
Balance Sheet
Governmental Funds
December 31, 2007

	<u>General Fund</u>	<u>Debt Service</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,514,137		\$ 2,850,569	\$ 6,364,706
Accrued Interest Receivable	6,325		1,388	7,713
Accounts Receivable	142,242			142,242
Interfund Receivable	224,462			224,462
Intergovernmental Receivable	572,808		346,375	919,183
Income Taxes Receivable	2,877,604			2,877,604
Property and Other Local Taxes Receivable	2,034,495	919,777	9,231	2,963,503
Special Assessments Receivable		2,085,643		2,085,643
<i>Total Assets</i>	<u>\$ 9,372,073</u>	<u>\$ 3,005,420</u>	<u>\$ 3,207,563</u>	<u>\$ 15,585,056</u>
LIABILITIES:				
Accounts Payable	125,724		27,053	152,777
Accrued Wages and Benefits	384,721		15,244	399,965
Contracts Payable	2,750		1,139	3,889
Intergovernmental Payable	940,528		40,536	981,064
Interfund Payable		149,871	74,591	224,462
Deferred Revenue	4,137,456	3,005,420	286,187	7,429,063
Loans Payable			22,127	22,127
<i>Total Liabilities</i>	<u>5,591,179</u>	<u>3,155,291</u>	<u>466,877</u>	<u>9,213,347</u>
FUND BALANCES:				
Reserved:				
Reserved for Encumbrances	188,699	940	223,541	413,180
Unreserved, Undesignated, Reported in:				
General Fund	3,592,195			3,592,195
Special Revenue Funds			2,346,966	2,346,966
Debt Service Funds		(150,811)	24,287	(126,524)
Capital Projects Funds			145,892	145,892
<i>Total Fund Balances</i>	<u>3,780,894</u>	<u>(149,871)</u>	<u>2,740,686</u>	<u>6,371,709</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 9,372,073</u>	<u>\$ 3,005,420</u>	<u>\$ 3,207,563</u>	<u>\$ 15,585,056</u>

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

Total Governmental Fund Balances \$6,371,709

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	4,176,313	
Infrastructure	12,980,461	
Other capital assets	11,199,366	
Accumulated depreciation	<u>(13,917,020)</u>	
Total capital assets		14,439,120

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

Property Taxes	393,209	
Special Assessments	2,085,643	
Due From Other Governments		
Charges for Services	106,679	
Shared Taxes and Local Government Revenue Assistance	749,902	
Income Taxes	1,524,855	
Interest Revenue	<u>7,713</u>	
		4,868,001

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

Accrued interest on bonds	(229,713)	
Discount on bonds	176,510	
Bonds	(20,661,395)	
Loans	(711,858)	
Capital leases	(439,948)	
Compensated absences	<u>(2,571,711)</u>	
Total liabilities		<u>(24,438,115)</u>

Net Assets of Governmental Activities \$1,240,715

See accompanying notes to the basic financial statements

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

	<u>General Fund</u>	<u>Debt Service</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property Taxes	\$ 2,731,208	\$ 290,321		\$ 3,021,529
Income Taxes	15,649,829			15,649,829
Permissive Motor Vehicle License Taxes			120,705	120,705
Other Local Taxes	5,329			5,329
Payments in Lieu of Taxes			872,964	872,964
Special Assessments		369,848		369,848
Charges for Services	525,496		571,205	1,096,701
Licenses and Permits	322,863		21,194	344,057
Fines and Forfeitures	240,908		98,707	339,615
Intergovernmental	1,268,874		1,437,221	2,706,095
Interest	245,321		35,271	280,592
Rent	13,919			13,919
Contributions and Donations	150,300		230,513	380,813
Reimbursements			20,000	20,000
Other	69,840		4,178	74,018
<i>Total Revenues</i>	<u>21,223,887</u>	<u>660,169</u>	<u>3,411,958</u>	<u>25,296,014</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	3,585,819		803,133	4,388,952
Judicial System	102,493		10,030	112,523
Security of Persons and Property:				
Police	6,505,791		84,334	6,590,125
Fire	7,248,953		154,541	7,403,494
Public Services	54,640			54,640
Public Health	934,208		102,890	1,037,098
Lesiure Time Services			475,947	475,947
Community and Economic Development			95,996	95,996
Public Works:				
Refuse	20,447			20,447
Transportation			1,099,170	1,099,170
Capital Outlay	87,500		544,283	631,783
Interest and Fiscal Charges			9,318	9,318
Debt Service:				
Principal Retirements	31,049	646,041	1,066,246	1,743,336
Interest and Fiscal Charges		409,212	4,445	413,657
<i>Total Expenditures</i>	<u>18,570,900</u>	<u>1,055,253</u>	<u>4,450,333</u>	<u>24,076,486</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	<u>2,652,987</u>	<u>(395,084)</u>	<u>(1,038,375)</u>	<u>1,219,528</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In		209,000	670,689	879,689
Inception of Capital Lease	87,500		298,245	385,745
Transfers Out	(832,924)		(120,495)	(953,419)
<i>Total Other Financing Sources and Uses</i>	<u>(745,424)</u>	<u>209,000</u>	<u>848,439</u>	<u>312,015</u>
<i>Net Change in Fund Balance</i>	1,907,563	(186,084)	(189,936)	1,531,543
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>1,873,331</u>	<u>36,213</u>	<u>2,930,622</u>	<u>4,840,166</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 3,780,894</u>	<u>\$ (149,871)</u>	<u>\$ 2,740,686</u>	<u>\$ 6,371,709</u>

**CITY OF NORWOOD, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Net Change in Fund Balances - Total Governmental Funds \$1,531,543

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Asset Additions	562,880	
Current Year Depreciation	(732,351)	
		(169,471)

Because some revenues will not be collected for several months after the City's year end, they are not considered "available" revenues and are deferred in the governmental funds.

Property Taxes	(17,555)	
Income Taxes	42,415	
Special Assessments	(177,483)	
Due From Other Governments		
Charges for Services	30,529	
Fines, Licenses and Permits	(25,461)	
Shared Taxes and Local Government Revenue Assistance	92,287	
Interest	(210)	
		(55,478)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

OPWC Loan Payments	43,516	
Bond principal retirement	270,000	
Special assessment principal retirement	177,483	
Capital lease payments	114,901	
Total long-term debt repayment		605,900

Governmental funds report premiums, discounts and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities

Amortization of bond discount	(7,355)	
		(7,355)

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets the lease obligation is reported as a liability.

(385,745)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase Compensated Absences	(335,740)	
Decrease in Accrued Interest	14,307	
Total additional expenditures		(321,433)

Change in Net Assets of Governmental Activities \$1,197,961

See accompanying notes to the basic financial statements

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property Taxes	\$ 2,257,579	\$ 3,275,551	\$ 2,731,208	\$ (544,343)
Income Taxes	14,298,995	14,040,000	15,577,888	1,537,888
Other Local Taxes	3,753	3,685	5,329	1,644
Charges for Services	604,167	593,224	518,146	(75,078)
Licenses and Permits	268,744	263,876	322,863	58,987
Fines and Forfeitures	311,539	305,896	270,963	(34,933)
Intergovernmental	1,001,549	983,408	1,240,958	257,550
Interest	94,996	93,275	245,321	152,046
Rent	27,142	26,650	13,919	(12,731)
Contributions and Donations	52,756	51,800	150,300	98,500
Reimbursements	239,964	235,618		(235,618)
Other	34,179	33,560	69,840	36,280
Total Revenues	<u>19,195,363</u>	<u>19,906,543</u>	<u>21,146,735</u>	<u>1,240,192</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	3,883,813	4,006,659	3,738,310	268,349
Judicial System	113,098	114,004	110,643	3,361
Security of Persons and Property:				
Police	1,006,999	6,494,048	6,514,962	(20,914)
Fire	7,233,383	7,268,900	7,222,238	46,662
Public Services	52,445	56,819	57,816	(997)
Public Health	926,413	922,107	926,352	(4,245)
Public Works:				
Refuse	100,000		20,447	(20,447)
Total Expenditures	<u>13,316,151</u>	<u>18,862,537</u>	<u>18,590,768</u>	<u>271,769</u>
Excess of Revenues Over(Under) Expenditures	<u>5,879,212</u>	<u>1,044,006</u>	<u>2,555,967</u>	<u>1,511,961</u>
OTHER FINANCING SOURCES AND USES:				
Transfers Out	(1,935,464)	(2,390,937)	(832,924)	1,558,013
Advances Out		(29,561)	(29,561)	
Total Other Financing Sources and Uses	<u>(1,935,464)</u>	<u>(2,420,498)</u>	<u>(862,485)</u>	<u>1,558,013</u>
Net Change in Fund Balance	3,943,748	(1,376,492)	1,693,482	3,069,974
Fund Balance (Deficit) at Beginning of Year	1,471,852	1,471,852	1,471,852	
Prior Year Encumbrances Appropriated	<u>290,490</u>	<u>290,490</u>	<u>290,490</u>	<u></u>
Fund Balance (Deficit) at End of Year	<u>\$ 5,706,090</u>	<u>\$ 385,850</u>	<u>\$ 3,455,824</u>	<u>\$ 3,069,974</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, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Permissive Motor Vehicle License Taxes		\$ 125,000	\$ 120,392	\$ (4,608)
Interest			12,350	12,350
Total Revenues		125,000	132,742	7,742
EXPENDITURES:				
Current:				
Transportation		633,833	320,901	312,932
Debt Service:				
Principal Retirements		43,517	43,517	
Total Expenditures		677,350	364,418	312,932
Excess of Revenues Over(Under) Expenditures		(552,350)	(231,676)	320,674
Net Change in Fund Balance		(552,350)	(231,676)	320,674
Fund Balance (Deficit) at Beginning of Year	543,350	543,350	543,350	
Prior Year Encumbrances Appropriated	9,000	9,000	9,000	
Fund Balance (Deficit) at End of Year	<u>\$ 552,350</u>		<u>\$ 320,674</u>	<u>\$ 320,674</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, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Intergovernmental			\$ 6,496	\$ 6,496
Total Revenues			6,496	6,496
EXPENDITURES:				
Current:				
Community and Economic Development		517,937	121,084	396,853
Total Expenditures		517,937	121,084	396,853
Excess of Revenues Over(Under) Expenditures		(517,937)	(114,588)	403,349
Net Change in Fund Balance		(517,937)	(114,588)	403,349
Fund Balance (Deficit) at Beginning of Year	481,575	481,575	481,575	
Prior Year Encumbrances Appropriated	64,097	64,097	64,097	
Fund Balance (Deficit) at End of Year	\$ 545,672	\$ 27,735	\$ 431,084	\$ 403,349

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

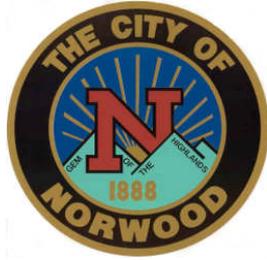
	<u>Water</u>	<u>All Other Enterprise Funds</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 316,654	\$ 221,574	\$ 538,228
Accounts Receivable	797,263	375,507	1,172,770
Internal Balances		(73,730)	(73,730)
<i>Total Current Assets</i>	<u>1,113,917</u>	<u>523,351</u>	<u>1,637,268</u>
Noncurrent Assets:			
Capital Assets:			
Building and Building Improvements	54,890		54,890
Equipment	92,102		92,102
Vehicles	163,198		163,198
Infrastructure	2,759,067		2,759,067
Accumulated Depreciation:			
Buildings & Building Improvements	(54,890)		(54,890)
Equipments	(67,836)		(67,836)
Vehicles	(163,198)		(163,198)
Infrastructure	(1,170,592)		(1,170,592)
<i>Total Noncurrent Assets</i>	<u>1,612,741</u>		<u>1,612,741</u>
<i>Total Assets</i>	<u>2,726,658</u>	<u>523,351</u>	<u>3,250,009</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	5,959	221,157	227,116
Accrued Wages and Benefits	14,334		14,334
Intergovernmental Payable	379,848		379,848
OPWC Loans Payable	38,734		38,734
<i>Total Current Liabilities</i>	<u>438,875</u>	<u>221,157</u>	<u>660,032</u>
Noncurrent Liabilities:			
OPWC Loans Payable - net of current portion	105,565		105,565
<i>Total Noncurrent Liabilities</i>	<u>105,565</u>		<u>105,565</u>
<i>Total Liabilities</i>	<u>544,440</u>	<u>221,157</u>	<u>765,597</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1,468,442		1,468,442
Unrestricted	713,776	302,194	1,015,970
<i>Total Net Assets</i>	<u>\$ 2,182,218</u>	<u>\$ 302,194</u>	<u>\$ 2,484,412</u>

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

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>All Other Enterprise Funds</u>	<u>Totals</u>
OTHER FINANCING SOURCES AND USES:			
Proceeds of OPWC Loans	\$ 65,660		\$ 65,660
<i>Total Other Financing Sources and Uses</i>	<u>65,660</u>		<u>65,660</u>
<i>Net Change in Fund Balance</i>	65,660		65,660
OPERATING REVENUES:			
Charges for Services	3,089,958	1,250,592	4,340,550
Other	8,276		8,276
<i>Total Operating Revenues</i>	<u>3,098,234</u>	<u>1,250,592</u>	<u>4,348,826</u>
OPERATING EXPENSES:			
Personal Services	590,819		590,819
Contractual Services	2,620,638	1,206,552	3,827,190
Materials and Supplies	75,044		75,044
Depreciation	56,769		56,769
Refunds	848	31	879
Other	492		492
<i>Total Operating Expenses</i>	<u>3,344,610</u>	<u>1,206,583</u>	<u>4,551,193</u>
<i>Operating Income (Loss)</i>	<u>(246,376)</u>	<u>44,009</u>	<u>(202,367)</u>
NON-OPERATING REVENUES (EXPENSES):			
Proceeds from OPWC Loans	(65,660)		(65,660)
Interest and Fiscal Charges	(3,207)		(3,207)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(68,867)</u>		<u>(68,867)</u>
<i>Income (Loss) Before Contributions and Transfers</i>	(315,243)	44,009	(271,234)
<i>Change in Net Assets</i>	(315,243)	44,009	(271,234)
<i>Net Assets (Deficit) at Beginning of Year</i>	<u>2,431,801</u>	<u>258,185</u>	<u>2,689,986</u>
<i>Net Assets (Deficit) at End of Year</i>	<u>\$ 2,116,558</u>	<u>\$ 302,194</u>	<u>\$ 2,418,752</u>

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

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>All Other Enterprise Funds</u>	<u>Totals</u>
OTHER FINANCING SOURCES AND USES:			
Proceeds of OPWC Loans	\$ 65,660		\$ 65,660
<i>Total Other Financing Sources and Uses</i>	<u>65,660</u>		<u>65,660</u>
<i>Net Change in Fund Balance</i>	65,660		65,660
OPERATING REVENUES:			
Charges for Services	3,089,958	1,250,592	4,340,550
Other	8,276		8,276
<i>Total Operating Revenues</i>	<u>3,098,234</u>	<u>1,250,592</u>	<u>4,348,826</u>
OPERATING EXPENSES:			
Personal Services	590,819		590,819
Contractual Services	2,620,638	1,206,552	3,827,190
Materials and Supplies	75,044		75,044
Depreciation	56,769		56,769
Refunds	848	31	879
Other	492		492
<i>Total Operating Expenses</i>	<u>3,344,610</u>	<u>1,206,583</u>	<u>4,551,193</u>
<i>Operating Income (Loss)</i>	<u>(246,376)</u>	<u>44,009</u>	<u>(202,367)</u>
NON-OPERATING REVENUES (EXPENSES):			
Proceeds from OPWC Loans	(65,660)		(65,660)
Interest and Fiscal Charges	(3,207)		(3,207)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(68,867)</u>		<u>(68,867)</u>
<i>Income (Loss) Before Contributions and Transfers</i>	(315,243)	44,009	(271,234)
<i>Change in Net Assets</i>	(315,243)	44,009	(271,234)
<i>Net Assets (Deficit) at Beginning of Year</i>	<u>2,431,801</u>	<u>258,185</u>	<u>2,689,986</u>
<i>Net Assets (Deficit) at End of Year</i>	<u>\$ 2,116,558</u>	<u>\$ 302,194</u>	<u>\$ 2,418,752</u>



Financial Notes

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

NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Norwood, Ohio (the City) 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, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Norwood have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City does not apply FASB Statements and interpretations issued after November 30, 1989 to its business-type activities and to its enterprise funds. The most significant of the City's accounting policies are described below.

Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net 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 display information about the City as a whole. These statements include the financial activities of the primary government except for the Agency Fund. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

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

Fund Financial Statements

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

proprietary fund financial statements. Fiduciary funds are reported by type. Proprietary fund statements distinguish operating transactions from non-operating transactions.

Fund Accounting

The City uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds utilized by the City: governmental, proprietary, and fiduciary.

Governmental Funds

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

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

Debt Service Fund - This fund is used to account for debt service principal and interest payments.

The other governmental funds of the City account for grants and other resources that are generally restricted to use for a particular purpose.

Proprietary Fund

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 County's major enterprise funds:

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the City when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund which is used to account for money held for sewer service and the payment of sewer bills.

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, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year for which the taxes are levied.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax interest on investments, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), grants, and charges for services.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but were levied to finance year 2008 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2007

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 2007 amounted to \$245,321 which includes \$35,271 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.

Interfund Receivables/Payables

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

Compensated Absences

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes, bonds, and capital leases are recognized as liabilities on the governmental fund financial statements when due.

Fund Balance Reserves and Designation

The City reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Reserves have been established for encumbrances. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Designations of fund balances are unreserved fund balance. Designated for budget stabilization represents resources for one-time emergency, unexpected expenditures or to offset unexpected revenue losses of the current fiscal year. This designation will only be used with the approval of City Council.

Internal Activity

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

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

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

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

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, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

The City reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. As a result, encumbrances are recorded as a reservation of fund balance.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for the operation of recreational activities and improving the living environment of the City.

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

The government-wide Statement of Net Assets reports \$3,695,753 of restricted net assets, none of which is restricted by enabling legislation.

Estimates

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

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

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

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Cash Balances December 31, 2006	\$1,764,290	\$168,385	\$3,156,199	\$5,088,874
GAAP Adjustments	109,041	0	(357,749)	(248,708)
Fund Balances December 31, 2006	<u>\$1,873,331</u>	<u>\$168,385</u>	<u>\$2,798,450</u>	<u>\$4,840,166</u>

GASB Statement No. 34 Adjustments:

Deferred Assets:

Delinquent Property Taxes	410,764
Accounts Receivable	101,611
Accrued Interest Receivable	7,923
Special Assessments	2,263,126
Municipal Income Tax	1,482,440
Intergovernmental Receivable	657,615
Capital Assets, Net	14,608,591
Accrued Interest Payable	(244,020)
Long-Term Liabilities	<u>(24,085,462)</u>
Governmental Activities, Net Assets December 31, 2006	<u>\$42,754</u>

	<u>Water Fund</u>	<u>Refuse Fund</u>	<u>Total Business Type Activities</u>
Cash Balances December 31, 2006	\$423,874	\$24,147	\$448,021
GAAP Adjustments	2,007,927	234,038	2,241,965
Net Assets December 31, 2006	<u>\$2,431,801</u>	<u>\$258,185</u>	<u>\$2,689,986</u>

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

NOTE 4 - BUDGETARY BASIS FOR ACCOUNTING

While reporting financial position and results of operations on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis) for the General, Police, and Street Department Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Cash is held by the agency fund on behalf of the City on a budget basis and allocated and reported on the balance sheet (GAAP basis) in the appropriate City funds.

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

	<u>General</u>
GAAP Basis	1,907,563
Revenue Accruals	(164,652)
Expenditure Accruals	270,622
Encumbrances	(290,490)
Advances-Out	<u>(29,561)</u>
Budget Basis	<u><u>1,693,482</u></u>

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

NOTE 5 - 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, 2007

NOTE 5 - 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, 2007, are comprised of the following:

Demand Deposit Accounts	\$6,032,820
Certificates of Deposit	<u>1,800,000</u>
	<u>\$7,832,820</u>

The bank balance for all City deposits at December 31, 2007 was \$7,832,820. 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.

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

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

Based on the foregoing criteria, at December 31, 2007, \$100,000 of the City's deposits was insured by the FDIC and the remaining \$7,732,820 was collateralized with securities held by the pledging financial institution, or by its trust department, but not in the City's name as defined by the GASB. These deposits were, however, collateralized with securities held by a financial institution, but not in the City's name.

Investments

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, 2007.

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."

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. 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.

NOTE 6 - CITY EARNINGS TAX

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

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

Income tax proceeds are distributed to the General Fund.

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

NOTE 7 - PROPERTY TAXES

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

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

Tangible personal property taxes received in 2007 were levied after October 1, 2006 on the value as of December 31, 2006. Collections are made in 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 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due by September 20.

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

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

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

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

NOTE 7 - PROPERTY TAXES (Continued)

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

Real Property	\$347,877,980
Public Utility Property	\$ 16,146,140
Tangible Personal Property	\$ 33,381,800

NOTE 8 - RECIEVABLES

Receivables at December 31, 2007, consisted of property taxes, municipal income taxes, inter-fund, accounts, special assessments, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible and will be received within one year with the exception of property taxes, income taxes, and special assessments. Property and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. Special assessments expected to be collected in more than one year for the City amounts to \$192,569. The City had no delinquent special assessments at December 31, 2007.

A summary of the principal items of intergovernmental receivables follows:

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

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

NOTE 9 - CAPITAL ASSETS

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

Governmental Activities	Restated Balance at 12/31/2006	Additions	Deletions	Balance at 12/31/2007
Land	\$4,077,513			\$4,077,513
CIP	\$83,310	\$15,490		\$98,800
Total Non-depreciable	\$4,160,823	\$15,490	\$0	\$4,176,313
Building	\$4,158,027	98,383		\$4,256,410
Improvements Other Than Building	\$1,482,809			\$1,482,809
Vehicles	3,414,556	281,437		\$3,695,993
Furniture and Fixtures and Equipment	1,616,265	147,889		\$1,764,154
Infrastructure	12,960,780	19,681		\$12,980,461
Total Depreciable	23,632,437	547,390	0	24,179,827
Total	\$27,793,260	\$562,880	\$0	\$28,356,140
Depreciation				
Building	(\$2,092,448)	(58,887)		(\$2,151,335)
Improvements Other Than Building	(\$661,435)	(59,300)		(\$720,735)
Vehicles	(1,894,242)	(66,952)		(\$1,961,194)
Furniture and Fixtures and Equipment	(912,988)	(107,620)		(\$1,020,608)
Infrastructure	(7,623,556)	(5,641)	0	(\$7,629,197)
Total	(\$13,184,669)	(\$298,400)	\$0	(\$13,483,069)

Business Type Activities	Restated Balance at 12/31/2006	Additions	Deletions	Balance at 12/31/2007
Building	54,890	0	0	\$54,890
Vehicles	163,198	0	0	\$163,198
Furniture and Fixtures and Equipment	73,253	18,849	0	\$92,102
Infrastructure	2,660,957	98,110	0	\$2,759,067
Total Depreciable	2,952,298	116,959	0	3,069,257
DEPRECIATION				
Building	(54,890)	0	0	(\$54,890)
Vehicles	(158,833)	(4,365)	0	(\$163,198)
Furniture and Fixtures and Equipment	(56,453)	(11,383)	0	(\$67,836)
Infrastructure	(1,129,571)	(43,201)	0	(\$1,172,772)
Total	(\$1,399,747)	(\$58,949)	\$0	(\$1,458,696)

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

NOTE 9 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental programs as follows:

Governmental Activities	
General Government	158,048
Judicial	6,156
Security of Persons & Property	
Police	116,620
Fire	130,825
Community & Economic Development	577
Transportation	291,763
Public Health & Welfare	7,891
Public Service	8,090
<u>Leisure Time Activities</u>	<u>12,381</u>
<u>Total Depreciation Expense - Government Activities</u>	<u>732,351</u>

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

NOTE 10 - LONG-TERM DEBT

Bonds and loans payable at December 31, 2007, 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	\$ 197,672
1994 OPWC - Improvement Water	3%	January 1, 2010	144,299
2003 OPWC - Montgomery Road Phase II	0%	January 1, 2024	514,186
Special Assessment Debt:			
2003 Central Parke Project	8.5%	March 1, 2015	2,085,643
General Obligation Bonds:			
Various Purpose Bonds	3.38%	April 1, 2015	6,195,752
2005 TIF revenue Anticipation Notes	4%-5.75%	December 1, 2031	12,203,490
Total			\$21,341,042

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 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.

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.

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, 2007

NOTE 10 - LONG-TERM 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 1/1/07	Additions	Principle Retirement	Balance 12/31/07	Due Within One Year
General Obligation Bonds	\$6,345,752	\$0	\$150,000	\$6,195,752	\$549,152
Special Assesment Debt Obligations under Capital Leases	2,263,126	0	177,483	2,085,643	192,569
OPWC Loan-Resurface Williams Ave	169,104	385,745	114,109	440,740	112,780
OPWC Loan -Montgomery Rd Phase II	210,026	0	12,354	197,672	12,354
Tax Incremental Financing Bonds 2006	545,348	0	31,162	514,186	31,162
Discount on Debt Issue	12,500,000	0	120,000	12,380,000	125,000
Estimated Liability for Compensated Absences	(183,865)	0	(7,355)	(176,510)	0
estimated Liability For Unpaid Claims (Note 13)	2,235,971	800,051	457,334	2,578,688	2,578,688
	20,000	21,631	218	41,413	21,413
Total	24,105,462	1,207,427	1,055,305	24,257,584	3,623,118

Business-Type Activities

1994 OPWC Loan -Improve Water Distribution Svsstem	116,236	0	37,597	78,639	38,734
	0	65,660	0	65,660	0
Total	116,236	65,660	37,597	144,299	38,734

Revenues from all sources have been sufficient to meet all of the City's debt service requirements through December 31, 2007.

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

NOTE 10 - LONG-TERM 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>	<i>General Obligation Bonds</i>		<i>Year Ending December 31</i>	<i>Special Assessment Bonds</i>	
	<i>Principal</i>	<i>Interest</i>		<i>Principal</i>	<i>Interest</i>
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	620,637	185,993	2011	245,966	123,882
2012-2016	2,407,284	550,365	2012-2016	1,211,474	267,919
2017-2021	1,463,675	160,516	2017-2021		
Total	\$6,345,749	\$1,859,859		\$2,263,126	\$1,065,424

<i>Year Ending December 31</i>	<i>OPWC Williams Ave</i>		<i>Year Ending December 31</i>	<i>OPWC Montgomery Rd II</i>	
	<i>Principal</i>	<i>Interest</i>		<i>Principal</i>	<i>Interest</i>
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	12,345	0	2011	31,164	0
2012-2016	61,770	0	2012-2016	155,820	0
2017-2021	61,770	0	2017-2021	155,820	0
2022-2026	37,062	0	2022-2026	93,492	0
Total	\$222,372	\$0		\$560,952	\$0

<i>Year Ending December 31</i>	<i>OPWC Water Distribution</i>		<i>Year Ending December 31</i>	<i>TIF Bonds 2006</i>	
	<i>Principal</i>	<i>Interest</i>		<i>Principal</i>	<i>Interest</i>
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			2011	195,000	717,586
2012-2016			2012-2016	1,395,000	3,403,650
2017-2021			2017-2021	2,160,000	2,936,325
2022-2026			2022-2026	3,275,000	2,155,740
2027-2031			2027-2031	4,885,000	953,250
Total	\$134,620	\$8,199		\$12,500,000	\$13,112,991

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

NOTE 10 - LONG-TERM DEBT (Continued)

<i>Year Ending December 31</i>	<i>Total Annual Long Term Debt</i>	
	<i>Principal</i>	<i>Interest</i>
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	\$22,151,475	\$16,046,472

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 unvoted 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, 2007, the City had \$19,111,100 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, 2007

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2007 and in prior years, the City entered into lease agreements for the purchase of equipment and vehicles. On 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 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 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.

Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases"*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Basic Financial Statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by leases have been capitalized in the Statement of Net Assets for governmental activities in the amount of \$325,526. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2007 totaled \$114,901.

The assets acquired through capital leases are as follows:

<i>Asset</i>	<i>Asset Value</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value December 31, 2007</i>
Durapatcher	\$55,950	7,460	\$48,490
Tymco Street Sweeper	92,367	12,316	\$80,051
International Dump Trucks	82,705	8,271	\$74,734
International Dump Trucks	82,705	8,271	\$74,434
Crown Victoria Sedan	31,049	6,210	\$24,839
Crown Victoria Sedan	31,049	6,210	\$24,839
Crown Victoria Sedan	31,049	6,210	\$24,839
Total			\$325,526

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

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

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

<i>Year</i>	<i>General Long-Term Obligations</i>
2008	\$137,695
2009	\$137,695
2010	\$106,646
2011	\$106,646
Total Minimum Lease Payments	\$488,682
Less Amount Representing Interest	\$94,086
Present Value of Net Minimum Lease Payments	\$394,596
Capital Lease Payments 2007	\$169,104

NOTE 12 - CONTINGENCIES

Litigation

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

Federal and State Grants

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

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

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, the City 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 Director Liability	50,000	1,000,000
Public Officials Liability	50,000	2,000,000
Law Enforcement Liability	5,000	5,000,000
Stop Gap	5,000	1,000,000

Settled claims have not exceeded 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 \$22,616,522 at December 31, 2007, 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, 2007

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

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

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

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

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$567,468, \$564,899 and \$440,444, respectively; 13.85 percent has been contributed for 2007, 2006 and 2005.

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

Ohio Police and Fire Pension Fund

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

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

The City's pension contributions to OP&F for police and firefighters were \$1,184,617 for the year ended December 31, 2007, \$1,648,961 for the year ended December 31, 2006, and \$1,635,979 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 96 percent has been contributed for 2007 with the remainder being reported as a liability.

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

NOTE 15 - POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

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

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

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

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan. The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$675,404, \$312,000 and \$959,560 respectively.

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

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

NOTE 15 - POST-EMPLOYMENT BENEFITS (Continued)

Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person. The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$117,697 and \$56,988 for the year ended December 31, 2007, \$122,801 and \$68,113 for the year ended December 31, 2006, and \$101,438 and \$68,422 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 71.85 percent has been contributed for police and 69.48 percent has been contributed for firefighters for 2007.

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

NOTE 16 - OTHER EMPLOYEE BENEFITS

Deferred Compensation

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

Insurance

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

NOTE 17 - C-9 TRUST

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

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NOTE 18 - INTERFUND ACTIVITY

Interfund balances at December 31, 2007, consisted of the following amounts and result from moving unrestricted balances to support the Valley Street reconstruction project due to a grant timing issue, and is expected to be paid within one year.

	<u>Interfund Receivable</u>
<u>Interfund Payable</u>	<u>General Fund</u>
Ohio Public Works/Issue II Fund	<u>\$191,902</u>

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

	Transfers To				
Transfers From	Fire Fund	Street / Public Service Fund	Police Fund	Nonmajor Funds	Total
General Fund	<u>\$797,102</u>	<u>\$412,500</u>	<u>\$2,142,290</u>	<u>\$490,133</u>	<u>\$3,842,025</u>

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

You had more than the advance as an interfund payable. Negative cash balances must be taken to \$0 through interfund payable/receivable entries. Negative cash funds have a payable and the General Fund is covering them so it has a receivable.

Also, must talk about transfers as well. On GAAP we did a transfer from fund 44 to fund 45. You had expenses out of 45 that developer lent you money for. In 2007, you receipted money into Fund 44 and 45 from state for reimbursement of work. IT would have been split in both funds but it was all posted to fund 44. Had to create transfer on GAAP to get rid of the loan payable

NOTE 19 - 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.

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NOTE 20 - ACCOUNTABILITY AND COMPLIANCE

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 funds in 2007 where appropriations exceeded the estimated revenue but were corrected by years end.

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

Ohio Revised Code, Section 5705.10, provides, in part, that money that is paid into a fund must be used only for the purposes for which such fund has been established. The City had one expenditure paid out of Fund 34 which should have been paid out of Fund 27.

Ohio Revised Code, Section 5705.09(F), requires the City to establish a special fund for each class of revenues derived from a source other than a general property tax, which the law requires to be used for a particular purpose. The City did not establish a separate fund for Citizens on Patrol fund and used the Homeland Security Norwood fund for income and expenditures for the Citizens on Patrol Program. A new fund was established in 2008 and the funds separated.

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 2007, there were several instances where receipts and disbursements were not properly classified.

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. Four funds, the Debt Service Fund, the Recreation Commission Fund, the Refuse Fund, and the EMS Fund had expenditures which exceeded their final appropriations at years end.

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NOTE 21 - SUBSEQUENT EVENTS

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

On 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.