CITY OF NORWOOD, OHIO

REGULAR AUDIT

For the Year Ended December 31, 2017

J.L. UHRIG AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

Dave Yost • Auditor of State

Members of City Council
City of Norwood
4645 Montgomery Road
Norwood, Ohio 45212

We have reviewed the *Independent Auditor's Report* of the City of Norwood, Hamilton County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Norwood is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

September 17, 2018

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HAMILTON COUNTY, OHIO
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J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Norwood, Hamilton County, Ohio, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwood, Hamilton County as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 23, based on an analysis performed by the Auditor of State's Local Government Services section, the City was placed in fiscal emergency on October 6, 2016 and remains in fiscal emergency today. As discussed in Note 19 to the financial statements, the City's General Fund has a negative fund balance. The General Fund experienced a fund balance deficit at December 31, 2017 of $191,355. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis on pages 3-13 and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2018 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

June 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Norwood's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 are as follows:

- The City's total governmental activities' net positions decreased $1,309,016 from 2016. Business-type activities net positions decreased $274,387 from 2016.

- For governmental activities, general receipts accounted for $26,806,305 of all receipts. Program receipts in the form of charges for services, operating and capital grants, contributions and interest accounted for $4,658,395 of total revenues of $31,464,700.

- The City had $32,773,716 in expenses related to governmental activities; only $4,658,395 of these expenses was offset by program specific charges for services. General revenues (primarily property and municipal income taxes) were $26,806,305 but were not sufficient to cover governmental expenses.

- Enterprise funds reflected a total operating loss of ($274,387). The Water and Refuse funds reflected operating loss and income of ($457,155) and $182,768, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

Report Components

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

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

Basis of Accounting

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

REPORTING THE CITY AS A WHOLE

Statement of Net Positions and the Statement of Activities

The analysis of the City as a whole begins with the Statement of Net positions 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, deferred outflows or resources, liabilities and deferred inflows of resources using the accrual basis of accounting which is similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

- Governmental Activities – Most of the City's services are reported here including police, fire, street maintenance, parks and recreation, and general administration. Income taxes, property taxes, building permits and interest finance most of these activities.

- Business-Type Activities – This activity includes the City's water fund and refuse fund. Service fees for these operations are charged based on the amount of usage or a usage fee. The intent is that the fees charged recoup operational costs.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

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

THE CITY AS A WHOLE

Table 1 provides a summary of the City's net positions for 2017 compared to 2016:

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current & Other Assets	$15,164,274	$15,792,434	$2,091,881	$2,251,453	$17,256,155	$18,043,887
Nondepr. Capital Assets	12,906,146	12,906,146	0	0	12,906,146	12,906,146
Depr. Capital Assets, Net	12,660,461	13,326,908	1,770,599	1,826,363	14,431,060	15,153,271
Total Assets	40,730,881	42,025,488	3,862,480	4,077,816	44,593,361	46,103,304
Deferred Outflows of Resources:						
Pension	8,772,703	10,084,360	442,910	261,258	9,215,613	10,345,618
Liabilities:						
Current & Other Liabilities	1,770,263	4,595,336	566,754	651,899	2,337,017	5,247,235
Long-Term Liabilities						
Due Within One Year	2,193,792	2,085,193	42,373	46,101	2,236,165	2,131,294
Due in More Than One Year:						
Net Pension Liability	31,157,082	32,182,908	1,017,968	677,358	32,175,050	32,860,266
Other Amounts	51,377,491	49,919,018	475,584	479,599	51,853,075	50,398,617
Total Liabilities	86,498,628	88,782,455	2,102,679	1,854,957	88,601,307	90,637,412
Deferred Inflows of Resources:						
Property Taxes Not Levied	2,239,160	2,627,568	0	0	2,239,160	2,627,568
Payments in Lieu of Taxes	5,578,106	5,146,212	0	0	5,578,106	5,146,212
Pension	1,092,187	149,094	6,059	13,088	1,098,246	162,182
Total Assets	8,909,453	7,922,874	6,059	13,088	8,915,512	7,935,962
Net Positions:						
Net Invested in Capital Assets,	12,782,020	13,140,379	1,355,518	1,393,619	14,137,538	14,533,998
Restricted	4,247,251	2,978,040	0	0	4,247,251	2,978,040
Unrestricted (Deficit)	(62,933,768)	(60,713,900)	841,134	1,077,420	(62,092,634)	(59,636,480)
Total Net Position	($45,904,497)	($44,595,481)	$2,196,652	$2,471,039	($43,707,845)	($42,124,442)

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As mentioned previously, the net position of governmental activities decreased $1,309,016 during 2017. Although there was an increase in revenue, the overall expenses for 2017 increased from 2016.

Table 2 shows the changes in net positions for the years ended December 31, 2017 and 2016.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services and Sales	$1,313,158	$1,338.383	$5,646,738	$5,690.477	$6,959,896	$7,028,860
Operating Grants, Contributions and Interest	3,345,237	1,678.931	0	0	3,345,237	1,678,931
Capital Grants, Contributions and Interest	0	0	0	0	0	0
Total Program Revenues	4,658,395	3.017.314	5,646,738	5,690.477	10,305,133	8,707,791
General Revenues:						
Property Taxes	2,577,539	2,598.310	0	0	2,577,539	2,598,310
Income Taxes	16,555,873	16.388.545	0	0	16,555,873	16,388,545
Other Local Taxes	186,510	242.126	0	0	186,510	242,126
Revenue in Lieu of Taxes	5,578,106	4.465.474	0	0	5,578,106	4,465,474
Grants and Entitlements Not Restricted to Specific Programs	1,892,070	1.981.508	0	0	1,892,070	1,981,508
Unrestricted Contributions	30	737	0	0	30	737
Interest	601	318	0	0	601	318
Other	15,576	47,584	0	0	15,576	47,584
Total General Revenues	26,806,305	25.724.602	0	0	26,806,305	25,724,602
Total Revenues	31,464,700	28.741.916	5,646,738	5,690.477	37,111,438	34,432,393
Program Expenses:						
General Government	3,524,837	4.194.422	0	0	3,524,837	4,194,422
Security of Persons and Property:						
Police	7,396,604	8.331.201	0	0	7,396,604	8,331,201
Fire	8,683,431	10.147.048	0	0	8,683,431	10,147,048
Public Services	89,366	37.763	0	0	89,366	37,763
Public Health Services	1,090,948	920.516	0	0	1,090,948	920,516
Leisure Time Services	231,481	405.068	0	0	231,481	405,068
Community and Economic Development	2,655,740	2.708	0	0	2,655,740	2,708
Transportation	3,616,058	1,064.328	0	0	3,616,058	1,064,326
Intergovernmental	2,819,424	2.024.220	0	0	2,819,424	2,024,220
Interest and Fiscal Charges	2,665,827	3.366.352	0	0	2,655,827	3,366,352
Water	0	0	4,515,046	4.289.633	4,515,046	4,289,633
Refuse	0	0	1,406,079	1,439.768	1,406,079	1,439,768
Total Expenses	32,773,716	30.493.626	5,921,125	5,729.401	38,493,117	36,223,027
Change in Net Position	(1,309,016)	(1.751.710)	(274,387)	(38,924)	(1,583,403)	(1,790,634)
Net Position at Beginning of Year	(44,595,481)	(42.843.771)	2,471,039	2,509,963	(42,124,442)	(40,333,808)
Net Position at End of Year	($45,904,497)	($44,595,481)	$2,196,652	$2,471,039	($43,707,845)	($42,124,442)

Governmental program revenues represent only 15 percent of total governmental activities revenue and are primarily comprised of charges for services & sales, grants, and contributions.

General revenues of governmental activities represent 85 percent of the City's governmental receipts. 21 percent of general revenues are local taxes and revenue in lieu of taxes. Property taxes make up 10 percent of the City's general revenues. The City's municipal income taxes make up 62 percent of general revenue. Other revenues are very insignificant and somewhat unpredictable revenue sources.

Security of Persons and Property: Fire expenses decreased $1,463,617 due to decreased hours of minimum man hours. Police expenses decreased $934,597 due to policemen leaving. Community and Economic Development increased $2,653,032 from 2016. This is due to development related to the 2017 Central Park Bond. Interest and Fiscal Charge expenses decreased $700,525 due to debt paid off. Transportation increased $2,551,730 due to new OPWC loans. Intergovernmental increased $795,204 due to OP&F, OPERS, and Accrued Wages being paid.

The City's business-type activities, Water and Refuse Funds, accounted for 15 percent of the City's total revenues in 2017. Charges for Services and Sales in the business-type activities decreased $43,739 due to decreases in water charges for services. Program expenses for the Water Fund increased $225,413 due to an increase in contractual services. Expenses in the Refuse Fund decreased $33,689 due to a decrease in contractual services.

Governmental Activities

The two percent earnings tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent approximately 53 percent of the City's total 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 community and economic development.

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the City. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, which account for 49 percent of all governmental expenses. General government also represents a significant cost, approximately 11 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the City that must be used to provide a specific service. The Net (Expense) Revenue column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
General Government	$3,524,837	$2,877,288	$4,194,422	$3,464,516
Security of Persons and Property				
Police	7,396,604	7,321,273	8,331,201	8,189,434
Fire	8,683,431	8,167,905	10,147,048	9,757,180
Public Services	89,366	89,366	37,763	37,763
Public Health	1,090,948	859,608	920,516	685,654
Leisure Time Activities	231,481	230,420	405,068	404,573
Community and Economic Development	2655,740	2,655,740	2,708	2,708
Transportation	3,616,058	2,855,346	1,064,328	407,111
Intergovernmental	2,819,424	392,548	2,024,220	1,161,021
Interest & Fiscal Charges	2,665,827	2,665,827	3,366,352	3,366,352
Total Expenses	$32,773,716	$28,115,321	$30,493,626	$27,476,312

The dependence upon property and income tax receipts is apparent as 58 percent of governmental activities are supported through these general revenues.

Business-Type Activities

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

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Information about the City's major governmental funds is presented in the fund financial statements. These funds are reported using the modified accrual basis of accounting. In total, all governmental funds reported revenues of $31,981,708 and expenditures of $32,174,974.

Within the General Fund, there were revenues of $21,512,370 and expenditures of $19,707,685. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased $1,438,683 as the result of a decrease in debt owed.

Within the Debt Service Fund, there were revenues of $4,805,064 and expenditures of $4,428,510. The fund balance of this fund increased $376,554 due to scheduled debt payments being paid.

Governmental Fund Budgeting Highlights

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

During 2017, the City amended its General Fund budget several times to reflect changing circumstances. Final budgeted revenues were greater than original budgeted revenues by $470,108 due to increases in estimated income tax revenue. The difference between final budgeted revenues and actual revenues was $82,594 which was due primarily to an increase in income taxes.

Final budgeted expenditures were more than original budgeted expenditures by $885,189 due to an overall increase in estimated contract payment obligations paid. Final expenditures were budgeted at $22,910,532 for the General Fund. Actual expenditures were $22,381,998 with a difference of $528,534 due to expenditures being lower than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to $27.3 million (net of accumulated depreciation).

Table 4
Capital Assets

	Governmental Activities		Business Type Activity		Total	
	2017	2016	2017	2016	2017	2016
Land	$12,906,146	$12,906,146	$0	$0	$12,906,146	$12,906,146
Buildings	1,975,289	2,031,704	6,342	6,455	1,981,631	2,038,159
Land Improvements	433,989	446,822	0	0	433,989	446,822
Vehicles	849,318	973,203	0	0	849,318	973,203
Furniture, Fixtures and Equipment	1,405,125	1,526,809	0	0	1,405,125	1,526,809
Infrastructure	7,996,740	8,348,370	1,764,257	1,819,908	9,760,997	10,168,278
Totals	$25,566,607	$26,233,054	$1,770,599	$1,826,363	$27,337,206	$28,059,417

For more information on capital assets, refer to note 10 of the notes to the basic financial statements.

Debt

Table 5 summarizes the outstanding long-term debt at December 31, 2017 and 2016:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	$1,222,508	$1,515,243	$0	$0	$1,222,508	$1,515,243
OPWC Loans	583,188	341,965	415,080	432,744	998,268	774,709
Tax Increment Financing Bonds	39,866,245	40,546,167	0	0	39,866,245	40,546,167
Notes	3,391,409	3,481,150	0	0	3,391,409	3,481,150
Capital Leases	688,891	900,467	0	0	688,891	900,467
Special Assessment Bond	2,655,000	0	0	0	2,655,000	0
Police & Fire Pension	1,841,499	1,911,492	0	0	1,841,499	1,911,492
Net Pension Liability:						
Ohio Police and Fire	27,085,212	28,626,776	0	0	27,085,212	28,626,776
OPERS	4,071,870	3,556,132	1,017,968	677,358	5,089,838	4,233,490
Total	$81,405,822	$80,879,392	$1,433,048	$1,110,102	$82,838,870	$81,989,494

The City's overall unvoted legal debt margin was $26,093,057 as of December 31, 2017. The more restrictive unvoted legal debt margin was $13,942,573 as of the same date.

For more information regarding long-term obligations and capital leases, refer to notes 11 and 12 of the notes to the basic financial statements.

ECONOMIC AND OTHER POTENTIALLY SIGNIFICANT MATTERS

On October 6, 2016, the Auditor of State declared the City of Norwood to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a financial planning and supervision commission. The Commission is comprised of a representative of the Office of Budget and Management, a representative of the Treasurer of State, the Mayor, the President of Council, and three individuals appointed by the Governor who are residents of the City and meet certain criteria.
In accordance with Section 118.06 of the Ohio Revised Code, the City is required to submit to the Commission a financial recovery plan for the City which outlines the measures to be taken to eliminate the fiscal emergency conditions. The initial recovery plan was approved by the City on July 5, 2017.

REQUESTS FOR INFORMATION

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

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CITY OF NORWOOD, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities	Business-Type Activities	Totals
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	$1,833,537	$471,526	$2,305,063
Accounts Receivable	232,466	1,510,937	1,743,403
Internal Balances	8,831	(8,831)	0
Intergovernmental Receivable	568,497	0	568,497
Income Taxes Receivable	2,793,552	0	2,793,552
Property Taxes Receivable	2,479,194	0	2,479,194
Revenue in Lieu of Taxes Receivable	5,578,106	0	5,578,106
Net Other Post Employment Benefits	131,098	0	131,098
Cash and Cash Equivalents with Fiscal Agents	1,538,993	118,249	1,657,242
Nondepreciable Capital Assets	12,906,146	0	12,906,146
Depreciable Capital Assets, Net	12,660,461	1,770,599	14,431,060
Total Assets	40,730,881	3,862,480	44,593,361
DEFERRED OUTFLOWS OF RESOURCES:			
Pension	8,772,703	442,910	9,215,613
LIABILITIES:			
Accounts Payable	119,765	425,175	544,940
Accrued Wages Payable	564,467	14,283	578,750
Intergovernmental Payable	327,622	9,047	336,669
Contracts Payable	395,287	0	395,287
Matured Compensated Absences	136,187	0	136,187
Accrued Interest Payable	226,935	0	226,935
Refundable Deposits	0	118,249	118,249
Long-Term Liabilities:			
Due Within One Year	2,193,792	42,373	2,236,165
Due in More Than One Year	51,377,491	475,584	51,853,075
Net Pension Liability	31,157,082	1,017,968	32,175,050
Total Liabilities	86,498,628	2,102,679	88,601,307
DEFERRED INFLOW OF RESOURCES:			
Property Taxes Not Levied	2,239,160	0	2,239,160
Revenue In Lieu Of Taxes	5,578,106	0	5,578,106
Pension	1,092,187	6,059	1,098,246
Total Deferred Inflows Of Resources	8,909,453	6,059	8,915,512
NET POSITION:			
Invested in Capital Assets	12,782,020	1,355,518	14,137,538
Restricted for:			
Debt Service	1,643,408	0	1,643,408
Capital Outlay	121,731	0	121,731
Security of Persons and Property	141,961	0	141,961
Leisure Time Services	59,050	0	59,050
Community and Economic Development	6,147	0	6,147
Transportation	570,584	0	570,584
Other Purposes	1,704,370	0	1,704,370
Unrestricted (Deficit)	(62,933,768)	841,134	(62,092,634)
Total Net Position (Deficit)	($45,904,497)	$2,196,652	($43,707,845)

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

		Program Revenues		Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities:				
General Government	$3,524,837	$647,549	$0	($2,877,288)
Security of Persons and Property				
Police	7,396,604	75,331	0	(7,321,273)
Fire	8,683,431	457,547	57,979	(8,167,905)
Public Services	89,366	0	0	(89,366)
Public Health Services	1,090,948	129,040	102,300	(859,608)
Leisure Time Services	231,481	0	1,061	(230,420)
Community and Economic Development	2,655,740	0	0	(2,655,740)
Transportation	3,616,058	3,691	757,021	(2,855,346)
Intergovernmental	2,819,424	0	2,426,876	(392,548)
Interest and Fiscal Charges	2,665,827	0	0	(2,665,827)
Total Governmental Activities	32,773,716	1,313,158	3,345,237	(28,115,321)
Business-Type Activities:				
Water	4,515,046	4,057,891	0	0
Refuse	1,406,079	1,588,847	0	0
Total Business-Type Activities	5,921,125	5,646,738	0	0
Total Activities	$38,694,841	$6,959,896	$3,345,237	(28,115,321)

General Revenues:	
Taxes:	
Property Taxes Levied For General Purposes	2,577,539
Income Taxes	16,555,873
Other Local Taxes	186,510
Revenue in Lieu of Taxes	5,578,106
Grants and Entitlements not Restricted to Specific Programs	1,892,070
Unrestricted Contributions	30
Interest	601
Other	15,576
Total General Revenues	26,806,305
Change in Net Position	(1,309,016)
Net Position (Deficit) at Beginning of Year	(44,595,481)
Net Position (Deficit) at End of Year	($45,904,497)

See accompanying notes to the basic financial statements

/Revenue and Changes in Net Assets

Business-Type Activities	Total
$0	($2,877,288)
0	(7,321,273)
0	(8,167,905)
0	(89,366)
0	(859,608)
0	(230,420)
0	(2,655,740)
0	(2,855,346)
0	(392,548)
0	(2,665,827)
0	(28,115,321)
(457,155)	(457,155)
182,768	182,768
(274,387)	(274,387)
(274,387)	(28,389,708)
0	2,577,539
0	16,555,873
0	186,510
0	5,578,106
0	1,892,070
0	30
0	601
0	15,576
0	26,806,305
(274,387)	(1,583,403)
2,471,039	(42,124,442)
$2,196,652	($43,707,845)

CITY OF NORWOOD, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	$0	$0	$1,833,537	$1,833,537
Cash and Cash Equivalents with Fiscal Agents	0	0	343,350	343,350
Accounts Receivable	232,466	0	0	232,466
Intergovernmental Receivable	210,380	0		210,380
Income Taxes Receivable	2,793,552	0	358,117	3,151,669
Property Taxes Receivable	2,470,657	0	8,537	2,479,194
Revenue in Lieu of Taxes Receivable	0	4,805,064	773,042	5,578,106
Interfund Receivable	0	603,905	516,827	1,120,732
Advances to Other Funds	10,711	0	8,831	19,542
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agents	0	1,195,643	0	1,195,643
Total Assets	$5,717,766	$6,604,612	$3,842,241	$16,164,619
LIABILITIES:				
Accounts Payable	$91,234	$0	$28,531	$119,765
Accrued Wages Payable	557,309	0	7,158	564,467
Contracts Payable	0	0	395,287	395,287
Intergovernmental Payable	324,651	0	2,971	327,622
Matured Compensated Absences	136,187	0	0	136,187
Interfund Payable	1,120,732	0	0	1,120,732
Advances From Other Funds	0	0	10,711	10,711
Total Liabilities	$2,230,113	$0	$444,658	$2,674,771
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes not Levied to Finance Current Year Operations	$2,239,160	$0	$0	$2,239,160
Revenue in Lieu of Taxes not Intended to Finance Current Year Operations	0	0	773,042	$773,042
Unavailable Revenue	1,439,848	4,805,064	311,303	$6,556,215
TOTAL DEFERRED INFLOWS OF RESOURCES	$3,679,008	$4,805,064	$1,084,345	$9,568,417
FUND BALANCES:				
Nonspendable:				
Advances	$10,711	$0	$8,831	$19,542
Reserved:				
Restricted	0	1,799,548	2,299,407	4,098,955
Committed	0	0	5,000	5,000
Assigned	133,709	0	0	133,709
Unassigned (Deficit)	(335,775)	0	0	(335,775)
Total Fund Balances (Deficit)	(191,355)	1,799,548	2,313,238	3,921,431
Total Liabilities and Fund Balances	$5,717,766	$6,604,612	$3,842,241	$16,164,619

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

Total Governmental Fund Balances		$3,921,431
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	12,906,146	
Depreciable capital assets	32,909,118	
Accumulated depreciation	(20,248,657)	
Total capital assets		25,566,607
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	231,497	
Due from other governments:		
Charges for services	171,818	
Shared taxes and local government revenue assistance	498,843	
Income taxes	848,993	
		1,751,151
Certain assets are reported in governmental activities are not financial resources, and are therefore, not reported in governmental funds.		
Other Postemployment Benefits		131,098
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	8,772,703	
Deferred Inflows - Pension	(1,092,187)	
Net Pension Liability	(31,157,082)	
Total		(23,476,566)
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(226,935)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Discount on bonds	173,755	
Capital leases	(688,891)	
Bonds	(43,917,508)	
Notes	(3,391,409)	
Loans	(583,188)	
Police & Fire Liability	(1,841,499)	
Compensated absences	(3,322,543)	
Total liabilities		(53,571,283)
Net Position of Governmental Activities		($45,904,497)

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property Taxes	$2,594,350	$0	$0	$2,594,350
Income Taxes	16,838,758	0	0	16,838,758
Other Local Taxes	0	0	112,102	112,102
Permissive Motor Vehicle License Taxes	0	0	74,408	74,408
Revenue in Lieu of Taxes	0	4,805,064	773,042	5,578,106
Charges for Services	871,500	0	8,413	879,913
Fines, Licenses and Permits	568,433	0	83,752	652,185
Intergovernmental	623,435	0	4,588,759	5,212,194
Interest	0	0	601	601
Rent	13,892	0	0	13,892
Contributions and Donations	30	0	9,593	9,623
Other	1,972	0	13,604	15,576
Total Revenues	21,512,370	4,805,064	5,664,274	31,981,708
EXPENDITURES:				
Current:				
General Government	3,217,975	0	20,661	3,238,636
Security of Persons and Property:				
Police	6,748,839	0	83,609	6,832,448
Fire	8,106,065	0	99,380	8,205,445
Public Services	13,125	0	0	13,125
Public Health Services	931,425	0	102,840	1,034,265
Leisure Time Services	5,357	0	166,536	171,893
Community and Economic Development	0	0	2,655,163	2,655,163
Transportation	0	0	3,253,866	3,253,866
Intergovernmental	0	1,721,947	1,070,914	2,792,861
Debt Service:				
Principal Retirement	574,304	645,000	178,938	1,398,242
Interest and Fiscal Charges	110,595	2,061,563	406,872	2,579,030
Total Expenditures	19,707,685	4,428,510	8,038,779	32,174,974
Excess of Revenues Over (Under) Expenditures	1,804,685	376,554	(2,374,505)	(193,266)
OTHER FINANCING SOURCES (USES):				
Transfers In	0	0	366,002	366,002
Transfers Out	(366,002)	0	0	(366,002)
Bonds Issued	0	0	2,655,000	2,655,000
Proceeds of Loans	0	0	285,420	285,420
Total Other Financing Sources (Uses)	(366,002)	0	3,306,422	2,940,420
Net Change in Fund Balances	1,438,683	376,554	931,917	2,747,154
Fund Balances (Deficit) at Beginning of Year	(1,630,038)	1,422,994	1,381,321	1,174,277
Fund Balances (Deficit) at End of Year	($191,355)	$1,799,548	$2,313,238	$3,921,431

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balances - Total Governmental Funds		$2,747,154
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Current Year Depreciation		(666,447)
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	(16,811)	
Due From Other Governments:		
Charges for Services	(218,546)	
Fines, Licenses and Permits	(14,286)	
Shared Taxes and Local Government Revenue Assistance	15,520	
Income Taxes	(282,885)	
		(517,008)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
General obligation bond principal retirement	982,735	
Note principal retirement	89,741	
Police & Fire principal retirement	69,993	
Loan principal retirement	44,197	
Capital lease payments	211,576	
Total long-term obligation repayment		1,398,242
In the Statement of Activities, interest accrued on outstanding bonds and bond accretion, bond premiums, bond issuance costs and the gain/loss on refunding are amortized over the terms of the bonds, whereas in the governmental funds the expenditure is reported when the bonds are issued.		
Amortization of bond discount	(10,078)	
Accrued Interest	(76,719)	
		(86,797)
Debt Proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
Bond Proceeds	(2,655,000)	
Loan Proceeds	(285,420)	
		(2,940,420)
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.		3,065,585
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.		(4,294,508)
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in Compensated Absences		(14,817)
Change in Net Position of Governmental Activities		($1,309,016)

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts			Variance
	Original Budget	Final Budget	Actual	with Final Budget
REVENUES:				
Property Taxes	$2,529,059	$2,584,615	$2,594,350	$9,735
Income Taxes	16,831,861	17,201,606	17,266,398	64,792
Charges for Services	854,943	873,724	877,015	3,291
Fines, Licenses and Permits	550,074	562,157	564,275	2,118
Intergovernmental	610,525	623,937	626,287	2,350
Rent	13,542	13,840	13,892	52
Contributions and Donations	29	30	30	0
Other	1,484	1,716	1,972	256
Total Revenues	21,391,517	21,861,625	21,944,219	82,594
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	3,434,322	3,573,572	3,535,798	37,774
Judicial System	298,775	310,893	304,236	6,657
Security of Persons and Property:				
Police	7,697,547	8,009,787	7,793,452	216,335
Fire	9,269,564	9,644,495	9,408,723	235,772
Leisure Time Services	31,877	25,942	20,703	5,239
Public Services	13,013	13,541	13,125	416
Public Health Services	934,237	972,134	944,715	27,419
Capital Outlay	6,467	6,467	0	6,467
Debt Service:				
Interest and Fiscal Charges	57,198	59,584	60,885	(1,301)
Principle Retirement	282,343	294,117	300,361	(6,244)
Total Expenditures	22,025,343	22,910,532	22,381,998	528,534
Excess of Revenues Under Expenditures	(633,826)	(1,048,907)	(437,779)	611,128
OTHER FINANCING SOURCES:				
Transfers In	252,864	0	0	0
Transfers Out	0	(5,066)	0	5,066
Total Other Financing Sources (Uses)	252,864	(5,066)	0	5,066
Net Change in Fund Balance	(380,962)	(1,053,973)	(437,779)	616,194
Fund Balance (Deficit) at Beginning of Year	(1,529,909)	(1,529,909)	(1,529,909)	0
Prior Year Encumbrances Appropriated	653,142	653,142	653,142	0
Fund Balance (Deficit) at End of Year	($1,257,729)	($1,930,740)	($1,314,546)	$616,194

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2017

	Water	Refuse	Totals
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	$109,451	$362,075	$471,526
Accounts Receivable	1,033,441	477,496	1,510,937
Total Current Assets	1,142,892	839,571	1,982,463
Noncurrent Assets:			
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	118,249	0	118,249
Depreciable Capital Assets, Net	1,770,599	0	1,770,599
Total Noncurrent Assets	1,888,848	0	1,888,848
Total Assets	3,031,740	839,571	3,871,311
DEFERRED OUTFLOWS OF RESOURCES:			
Deffered Outflows	442,910	0	442,910
TOTAL DEFERRED OUTFLOWS OF RESOURCES	442,910	0	442,910
LIABILITIES:			
Current Liabilities:			
Accounts Payable	308,035	117,140	425,175
Accrued Wages Payable	14,283	0	14,283
Intergovernmental Payable	9,047	0	9,047
Compensated Absences Payable	24,710	0	24,710
OPWC Loans Payable	17,663	0	17,663
Total Current Liabilities	373,738	117,140	490,878
Current Liabilities Payable from Restricted Assets:			
Refundable Deposits	118,249	0	118,249
Advances From Other Funds	8,831	0	8,831
Noncurrent Liabilities:			
Compensated Absences Payable	78,166	0	78,166
OPWC Loans Payable	397,418	0	397,418
Long-term Liabilities Payable Due in More Than One Year:			
Net Pension Liability	1,017,968	0	1,017,968
Total Noncurrent Liabilities	1,502,383	0	1,502,383
Total Liabilities	1,994,370	117,140	2,111,510
DEFERRED INFLOWS OF RESOURCES:			
Deffered Outflows	6,059	0	6,059
TOTAL DEFERRED INFLOWS OF RESOURCES	6,059	0	6,059
NET POSITION:			
Invested in Capital Assets	1,355,518	0	1,355,518
Unrestricted	118,703	722,431	841,134
Total Net Position	$1,474,221	$722,431	$2,196,652

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITIONS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Water	Refuse	Total
OPERATING REVENUES:			
Charges for Services	$4,057,891	$1,588,847	$5,646,738
OPERATING EXPENSES:			
Personal Services	964,819	0	964,819
Fringe Benefits	151,929	0	151,929
Contractual Services	3,225,087	1,405,652	4,630,739
Supplies and Materials	101,883	0	101,883
Depreciation	55,764	0	55,764
Refunds	13,426	0	13,426
Other	2,138	427	2,565
Total Operating Expenses	4,515,046	1,406,079	5,921,125
Change in Net Position	(457,155)	182,768	(274,387)
Net Position at Beginning of Year	1,931,376	539,663	2,471,039
Net Position at End of Year	$1,474,221	$722,431	$2,196,652

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Water	Refuse	Total
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	$4,212,025	$1,567,314	$5,779,339
Cash Payments for Employee Services and Benefits	(965,713)	0	(965,713)
Cash Payments to Suppliers for Goods and Services	(3,415,694)	(1,406,090)	(4,821,784)
Utility Deposits Received	33,550	0	33,550
Utility Deposits Returned	(34,700)	0	(34,700)
Net Cash Provided by (Used for) Operating Activities	(170,532)	161,224	(9,308)
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on OPWC Loans	(17,663)	0	(17,663)
Net Increase (Decrease) in Cash and Cash Equivalents	(188,195)	161,224	(26,971)
Cash and Cash Equivalents at Beginning of Year	415,895	200,851	616,746
Cash and Cash Equivalents at End of Year	$227,700	$362,075	$589,775
Reconcilation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	($457,155)	$182,768	($274,387)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	55,764	0	55,764
Changes in Assets and Liabilities:			
Decrease in Deferred Outflows Pension	142,529	0	142,529
(Increase) Decrease in Accounts Receivable	154,134	(21,533)	132,601
Decrease in Accounts Payable	(61,107)	(11)	(61,118)
Decrease in Accrued Wages Payable	(10,199)	0	(10,199)
Decrease in Intergovernmental Payable	(12,668)	0	(12,668)
Decrease in Deferred Inflows Pension	(13,388)	0	(13,388)
Decrease Payable from Restricted Assets	(1,150)	0	(1,150)
Increase in Net Pension Liability	22,788	0	22,788
Increase in Compensated Absences Payable	9,920	0	9,920
Net Cash Provided by (Used for) Operating Activities	($170,532)	$161,224	($9,308)

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017

	Agency
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	$3,471,812
Accounts Receivable	1,608,208
Total Assets	$5,080,020
LIABILITIES:	
Accounts Payable	$13,333
Intergovernmental Payable	5,017,212
Undistributed Monies	49,475
Total Liabilities	$5,080,020
NET POSITION:	
Held in Trust for OPEB	
Total Net Position	$0

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Pension Trust
ADDITIONS:	
Fees	
Employer Contributions	(18)
Total Additions	(18)
Change in Net Position	(18)
Net Position at Beginning of Year	18
Net Position at End of Year	$0

See accompanying notes to the basic financial statements

NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

Reporting Entity

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

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

The City is associated with one jointly governed organization, the Ohio Energy Special Improvement District, Inc. (SID) (see Note 20) and one shared risk pool, the Public Entities Pool of Ohio (PEP) (see Note 22). PEP is available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Services Group, Inc. (York), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is administered by York. This organization is presented in Note 13 and 22 of the Basic Financial Statements.

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 more 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 Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Fiduciary funds are reported by type.

Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the City 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 purposes 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General Fund – This is the chief operating fund for the City and it is used to account for all revenues and expenditures which are not accounted for in other funds. The primary sources of revenue for this fund are earnings taxes, property taxes and local government funds. The General Fund Balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

Proprietary Fund

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

Enterprise Funds

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

Water Fund – This fund is used to account for the provision of water treatment and distribution to residential and commercial users within the City.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to report resources held and administered by the City under a trust agreement for individuals, private organizations, or other governments, and are, therefore, not available to support City programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are a pension trust fund and agency funds. The pension trust fund is used to account for post-employment healthcare benefits. The City's five agency funds are used to account for fines and fees held for distribution to other governments, and for the collection of sewer billings that are collected on behalf of the Metropolitan Sewer District of Greater Cincinnati, and then disbursed to them monthly.

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

Like the government-wide statements, all proprietary funds are accounted for using a flow of economic resources measurement focus. All assets and deferred inflows of resources and all liabilities and deferred outflows of resources associated with the operation of these funds are included on the Statement of Fund Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined and “available” means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current 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, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes/payments in lieu of taxes is recognized in the year for which the taxes are levied or would have been levied (See Notes 7 and 8). 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: municipal income taxes, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance) fines and forfeitures, and grants.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a pension reported in the government-wide Statement of Net Position and are explained in Note 14.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, and unavailable revenue. Property taxes and revenue in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, other local taxes, municipal income taxes, delinquent payments in lieu of taxes, intergovernmental grants, and charges for services. These amounts are deferred and recognized as revenue in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. (See Note 14)

Expenses/Expenditures

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

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

Restricted Assets

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

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

Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values on the date received. 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 expensed.

All capital assets, except for land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacements.

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

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

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "Interfund Receivable/Payable." Long-term interfund loan receivables/payables, reported as "Advances to Other Funds" or "Advances from Other Funds," are classified as nonspendable fund balance, which indicates that they are not in spendable form even though it is a component of net current assets. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absence Payable" in the fund from which the employee will be paid. The remaining portion of the liability is not reported.

The entire compensated absences liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and net pension liability 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 bonds, loans, and capital leases are recognized as liabilities on the governmental fund financial statements when due.

Operating Revenues and Expenses

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

Internal Activity

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

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

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

Bond Discounts

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

On the governmental fund financial statements discounts are recognized in the period when the debt is issued**.**

Net Position

Net position represent the difference between assets and deferred outflows of resources compared to liabilities and deferred inflows of resources. Net position 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 Position 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 position restricted for other purposes include funds for court programs, telecommunications and public health programs.

The long-term liability for the 2006 Tax Increment Financing Bonds and 2015 Rookwood Exchange Tax Increment Financing Bonds are not related to governmental activities because the proceeds were not used to construct a capital asset reported by the City. This liability is included in the calculation of unrestricted net position.

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

Estimates

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It includes the long-term amount of interfund loans.

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

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

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

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

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

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

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.

NOTE 3 CHANGE IN ACCOUNTING PRINCIPLE

For 2017, the City implemented the Governmental Accounting Standards Board's (GASB) Implementation Guide No. 2016-1. These changes were incorporated in the City's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - FUND BALANCES

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

Fund Balances	General Fund	Debt Service Fund	All Other Governmental Funds	Total
Nonspendable				
Long-Term Advance	$10,711	$0	$8,831	$19,542
Restricted for				
Community Programs	0	0	41,851	41,851
Court Program	0	0	44,183	44,183
Park & Recreation	0	0	59,050	59,050
Capital Improvements	0	0	116,731	116,731
Road Improvements	0	0	99,263	99,263
Transportation	0	0	279,979	279,979
Fire	0	0	51,657	51,657
Police	0	0	104,290	104,290
Economic Development	0	0	6,147	6,147
Paycor	0	0	1,292,948	1,292,948
Health Programs	0	0	203,128	203,128
Debt Service	0	1,799,548	0	1,799,548
Indigent Driver	0	0	180	180
Total Restricted	0	1,799,548	2,299,407	4,098,955
Committed to				
Purchases on Order	0	0	5,000	5,000
Assigned to				
Other Purposes	133,709	0	0	133,709
Unassigned (Deficits):	(335,775)	0	0	(335,775)
Total Fund Balances(Deficit)	($191,355)	$1,799,548	$2,313,238	$3,921,431

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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

3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Changes in Fund Balance

	General
GAAP Basis	$1,438,683
Revenue Accruals	431,849
Expenditure Accruals	(2,480,499)
Encumbrances	(193,814)
Transfers Out	366,002
Budget Basis	($437,779)

NOTE 6 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

Interim monies held by the City may 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. No-load money market mutual funds consisting exclusively of obligations described in (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;

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio; and with certain limitations bonds and other obligations of political subdivision of the State of Ohio.

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

1. Bonds of the State of Ohio;

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

3. Obligations of the City.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

The City's financial institution was in the process of joining OPCS, however, at December 31, 2017, the financial institution still maintained their own collateral pool of eligible securities deposited with a qualified trustee and pledged to secure repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

NOTE 7 – MUNICIPAL INCOME TAX

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

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

NOTE 8 – PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes were levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was $11.40 per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Real Property	$222,571,290
Public Utility Personal Property	20,438,400
Total	$243,009,690

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2017, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2017 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 9 – RECEIVABLES

Receivables at December 31, 2017, consisted of accounts, property taxes, municipal income taxes, revenue in lieu of taxes, interfund, advances to other funds, 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 revenue in lieu of taxes. Property, income taxes, and revenue in lieu of taxes although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	
Homestead and Rollback	$93,624
Local Government	116,756
Gasoline Excise Tax	270,454
Motor Vehicle License Tax	87,663
Total Intergovernmental Receivable	$568,497

Revenue in Lieu of Taxes

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

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

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance 12/31/2016	Additions	Deletions	Balance at 12/31/2017
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	$12,906,146	$0	$0	$12,906,146
Capital Assets Being Depreciated				
Buildings	4,713,229	0	0	4,713,229
Land Improvements	1,482,809	0	0	1,482,809
Vehicles	4,628,292	0	0	4,628,292
Furniture, Fixtures and Equipment	3,595,330	0	0	3,595,330
Infrastructure	18,489,458	0	0	18,489,458
Total Capital Assets Being Depreciated	32,909,118	0	0	32,909,118
Less Accumulated Depreciation				
Buildings	(2,681,525)	(56,415)	0	(2,737,940)
Land Improvements	(1,035,987)	(12,833)	0	(1,048,820)
Vehicles	(3,655,089)	(123,885)	0	(3,778,974)
Furniture, Fixtures and Equipment	(2,068,521)	(121,684)	0	(2,190,205)
Infrastructure	(10,141,088)	(351,630)	0	(10,492,718)
Total Accumulated Depreciation	(19,582,210)	(666,447)	0	(20,248,657)
Total Capital Assets Being Depreciated, Net	13,326,908	(666,447)	0	12,660,461
Governmental Activities Capital Assets, Net	$26,233,054	($666,447)	$0	$25,566,607

Depreciation expense was charged to governmental programs as follows:

Governmental Activities	
General Government	$94,213
Security of Persons and Property:	
Police	88,508
Fire	101,713
Public Health Services	2,781
Leisure Time Services	38,946
Intergovernmental	26,563
Community and Economic Development	577
Transportation	313,146
Total Depreciation Expense	$666,447

	Balance 12/31/16	Additions	Deletions	Balance at 12/31/17
Business-Type Activities				
Capital Assets Being Depreciated				
Buildings	$61,685	$0	$0	$61,685
Vehicles	163,198	0	0	163,198
Furniture, Fixtures and Equipment	134,717	0	0	134,717
Infrastructure	3,560,384	0	0	3,560,384
Total Capital Assets Being Depreciated	3,919,984	0	0	3,919,984
Less Accumulated Depreciation				
Buildings	(55,230)	(113)	0	(55,343)
Vehicles	(163,198)	0	0	(163,198)
Furniture, Fixtures and Equipment	(134,717)	0	0	(134,717)
Infrastructure	(1,740,476)	(55,651)	0	(1,796,127)
Total Accumulated Depreciation	(2,093,621)	(55,764)	0	(2,149,385)
Business-Type Activities, Net	$1,826,363	($55,764)	$0	$1,770,599

NOTE 11 - LONG-TERM DEBT

A schedule of changes in bonds and other long-term obligations of the governmental activities of the City during 2017 follows:

Governmental Activities

Types/Issues	Balance 12/31/16	Increases	Decreases	Balance 12/31/17	Due Within One Year
General Obligation Refunding Bonds					
2006 - 4.48% - $6,545,752	$1,515,243	$0	$292,735	$1,222,508	$292,735
OPWC Loan- Resurface					
Williams Ave 2003 - 0% - $247,090	92,662	0	12,354	80,308	12,354
OPWC Loan - Montgomery Rd					
Phase II 2003 - 0% - $623,255	249,303	0	31,163	218,140	31,163
Tax Increment Financing Bonds					
2006 - 4%-5.75% - $12,500,000	10,320,000	0	350,000	9,970,000	405,000
Discount on Debt Issue	(110,315)	0	(7,355)	(102,960)	0
Linden Pointe Tax Increment Financing					
Bonds 2010 - 5%-7% - $3,595,000	3,390,000	0	45,000	3,345,000	60,000
Tax Increment Financing Bonds 2013 -					
6.00%-7.00% - $7,050,000	6,945,000	0	0	6,945,000	115,000
Discount on Debt Issue	(73,518)	0	(2,723)	(70,795)	0
Paycor Note 2015 - 5.00% - $3,607,719	3,481,150	0	89,741	3,391,409	94,284
Rookwood Exchange TIF Bonds - 6.50%					
2015 - $20,350,000	20,075,000	0	295,000	19,780,000	315,000
OPWC Loan Beech Street Improv.					
2017 - 0% - $20,420	0	20,420	680	19,740	681
OPWC Loan - Williams Avenue					
2017 - 0% - $165,000	0	165,000	0	165,000	5,500
OPWC Loan - Hunter Ave. Improv.					
2017 - 0% - $100,000	0	100,000	0	100,000	3,333
Central Park Special Assess. Bond					
2017 - 6% - $2,655,000	0	2,655,000	0	2,655,000	20,000
Capital Leases	900,467	0	211,576	688,891	131,258
2.12% Police & Fire Pension	1,911,492	0	69,993	1,841,499	73,000
Compensated Absences	3,307,726	462,120	447,303	3,322,543	634,484
Total Other Long-Term Obligations	52,004,210	3,402,540	1,835,467	53,571,283	2,193,792
Net Pension Liability					
OP&F	28,626,776	0	1,541,564	27,085,212	0
OPERS	3,556,132	515,738	0	4,071,870	0
Total Net Pension Liability	32,182,908	515,738	1,541,564	31,157,082	0
Total Governmental Activities	$84,187,118	$3,918,278	$3,377,031	$84,728,365	$2,193,792

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

During 2003, the City entered into a loan agreement with the Ohio Public Works Commission to help resurface Williams Avenue. This is an interest free, 20 year loan and the maturity date is January 1, 2024.

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

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

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

In 2015, Paycor Notes were issued in the amount of $3,607,719. TIF Revenues from all incremental property taxes are paid from parcels within the TIF district as defined by the City. These incremental taxes on the TIF district will be collected by the Hamilton County Auditor and disbursed to the City of Norwood for the payment of bonds

In 2015, the Rookwood Exchange Tax Increment Financing Bonds were issued in the amount of $20,350,000. TIF Revenues from all incremental property taxes are paid from parcels within the TIF district as defined by the City. These incremental taxes on the TIF district will be collected by the Hamilton County Auditor and disbursed to the City of Norwood for the payment of bonds.

During 2017, the City entered into a loan agreement with the Ohio Public Works Commission for the Beech Street Improvement project. This is an interest free, 30 year loan and the maturity date is July 1, 2046. The OPWC is paid for by Permissive Tax collections.

During 2017, the City entered into a loan agreement with the Ohio Public Works Commission for the Williams Avenue project. This is an interest free, 30 year loan and the maturity date is July 1, 2047. The OPWC is paid for by Permissive Tax collections.

During 2017, the City entered into a loan agreement with the Ohio Public Works Commission for the Hunter Avenue Improvement project. This is an interest free, 30 year loan and the maturity date is July 1, 2047. The OPWC is paid for by Permissive Tax collections.

In 2017, the City issued Central Park Special Assessment Bonds. TIF revenues from all incremental property taxes are paid from parcels within the TIF district as defined by the City encompassing the project known as the “Central Park Bond”. These incremental taxes on the TIF district will be collected by the Hamilton County Auditor and disbursed to the City of Norwood for the payment of the bonds.

Compensated absences will be paid from the General, Transportation, Economic Development and Parks Funds. The capital lease liability will be paid from the General, Transportation and Fire Funds.

Police and Fire Past Service Liability

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

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

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General Fund, Transportation Fund, Health Fund, and Water Fund. For additional information related to the net pension liability see Note 14.

Changes in the long-term obligations reported in business-type activities of the City during 2017 were as follows:

Business-Type Activities

Types/Issues	Balance 12/31/16	Increases	Decreases	Balance 12/31/17	Due Within One Year
2009 OPWC Smith Road Waterline - 0% $529,890	$432,744	$0	$17,663	$415,081	$17,663
Compensated Absences	92,956	47,092	37,172	102,876	24,710
Net Pension Liability - OPERS	677,358	340,610	0	1,017,968	0
Total	$1,203,058	$387,702	$54,835	$1,535,925	$42,373

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

As of December 31, 2017, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was $26,093,057 and the un-voted debt margin was $13,942,573.

Annual Long-Term Debt Requirements

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

	Governmental Activities						
	Note		OPWC Loans	Tax Increment Financing Bonds		Various Purpose Bonds	
Year	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2018	$94,287	$168,406	$53,031	$895,000	$2,774,954	$292,735	45,862
2019	99,057	163,633	$53,031	950,000	2,717,541	292,735	32,103
2020	104,071	158,619	$53,031	1,015,000	2,656,366	292,735	18,345
2021	109,340	153,350	$53,031	1,130,000	2,591,141	344,303	4,856
2022	114,876	147,815	$53,031	1,210,000	2,516,076	0	0
2023-2027	667,727	645,723	128,427	7,610,000	11,244,618	0	0
2028-2032	854,748	458,703	47,572	9,840,000	8,258,333	0	0
2033-2037	1,094,149	219,302	47,572	8,640,000	5,164,216	0	0
2038-2042	253,154	9,532	47,572	8,220,000	1,760,413	0	0
2043-2047	0	0	46,890	530,000	18,550	0	0
Totals	$3,391,409	$2,125,083	$583,188	$40,040,000	$39,702,208	$1,222,508	$101,166

	Governmental Activities Pension Liability - Special Assessment Bond		Governmental Activities Pension Liability - Police and Fire Pension		Business Type Activities OPWC Loans
Year	Principal	Interest	Principal	Interest	Principal
2018	$20,000	$159,300	$73,000	$77,496	$17,663
2019	20,000	158,100	76,135	74,361	17,663
2020	20,000	156,900	79,405	71,090	17,663
2021	25,000	155,700	82,816	67,680	17,663
2022	30,000	154,200	86,373	64,123	17,663
2023-2027	205,000	740,100	490,804	261,675	88,315
2028-2032	325,000	664,500	605,665	146,819	88,315
2033-2037	495,000	548,400	347,301	22,169	88,315
2038-2042	720,000	375,000	0	0	61,821
2043-2047	795,000	123,300	0	0	0
Totals	$2,655,000	$3,235,500	$1,841,499	$785,413	$415,081

NOTE 12 - LEASES – LESSEE DISCLOSURE

During 2016, the City entered into capital leases for radio equipment and police vehicles. In prior years, the City entered into capital leases for vehicles. By the terms of the agreements, ownership of the equipment and vehicles are transferred to the City by the end of the four year lease term. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets acquired by leases have been capitalized in the Statement of Net Position for governmental activities in the amount of $2,066,355. A corresponding liability was recorded on the Statement of Net Position for governmental activities. Principal payments in 2017 totaled $211,576.

The assets acquired through capital leases are as follows:

Asset	Asset Value	Accum. Depr.	Net Book Value Dec. 31, 2017
Vehicles	$1,840,553	$1,238,909	$601,644
Furniture, Fixtures, and Equipment	225,802	112,901	112,901
Total	$2,066,355	$1,351,810	$714,545

The following is a schedule of future minimum payments on capital leases and the present value of the minimum lease payments at December 31, 2017:
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Year	Governmental Activities
2018	$158,876
2019	158,876
2020	143,628
2021	128,380
2022	128,380
2023	57,976
Total Minimum Lease Payments	776,116
Less: Amount Representing Interest	(87,225)
Present Value of Minimum Lease Payments	$688,891

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The City belongs to the Public Entities Pool of Ohio (PEP), a public entity shared risk pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool's primary liability for such payments. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts. (At December 31, 2017 the Pool retained $350,000 for casualty claims and $100,000 for property claims). The Board of Directors and York periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from last year.

Financial Position

PEP's financial statements (audited by other auditor's) conform to generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

Casualty and Property Coverage	2016
Assets	$42,182,281
Liabilities	(13,396,700)
Net Assets - Unrestricted	$28,785,581
Unpaid Claims to be Billed in the Future	$11.5 million
Number of Members	519

The unpaid claims to be billed in the future will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in the future years is approximately $106,152. This payable includes the subsequent year's contribution due if the City terminates participation, as described below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership. The contributions for the last three years are:

Contributions to PEP	Amount
2015	$183,415
2016	$182,973
2017	$204,250

After completing one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State

statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	**Public Safety**	**Public Safety**
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	**Law Enforcement**	**Law Enforcement**
Age and Service Requirements: Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	**Public Safety and Law Enforcement**	**Public Safety and Law Enforcement**
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Public Safety	Law Enforcement
2017 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
2017 Actual Contribution Rates			
Employer:			
Pension	13.0%	17.1%	17.1%
Post-employment Health Care Benefits	1.0	1.0	1.0
Total Employer	14.0%	18.1%	18.1%
Employee	10.0%	12.0%	13.0%

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $381,976 for 2017. Of this amount, $38,104 is reported as an intergovernmental payable.

Plan Description – Ohio Police and Fire Pension Fund (OPF)

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

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit. (See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits.)

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2017 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	0.50%	0.50%
Total Employer	19.50%	24.00%
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $2,760,003 for 2017. Of this amount, $189,117 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2017, the specific liability of the City was $688,891 payable in semi-annual payments through the year 2035.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate of the Net Pension Liability:			
Current Measurement Date	0.02241400%	0.42762300%	
Prior Measurement Date	0.02444100%	0.44499400%	
Change in Proportionate Share	-0.00202700%	-0.01737100%	
Proportionate Share of the Net Pension Liability	$5,089,838	$27,085,212	$32,175,050
Pension Expense	$1,015,915	$3,506,918	$4,522,833

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$6,899	$7,662	$14,561
Changes of assumptions	807,311	0	807,311
Net difference between projected and actual earnings on pension plan investments	757,995	2,633,917	3,391,912
Changes in proportion and differences between City contributions and proportionate share of contributions	70,328	1,789,522	1,859,850
City contributions subsequent to the measurement date	381,976	2,760,003	3,141,979
Total Deferred Outflows of Resources	$2,024,509	$7,191,104	$9,215,613
Deferred Inflows of Resources			
Differences between expected and actual experience	$30,292	$62,362	$92,654
Changes in proportion and differences between City contributions and proportionate share of contributions	220,743	784,849	1,005,592
Total Deferred Inflows of Resources	$251,035	$847,211	$1,098,246

$3,141,979 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2018	$572,088	$1,272,731	$1,844,819
2019	579,245	1,272,731	1,851,976
2020	262,384	1,034,041	1,296,425
2021	(22,219)	93,694	71,475
2022	0	(74,069)	(74,069)
Thereafter	0	(15,238)	(15,238)
Total	$1,391,498	$3,583,890	$4,975,388

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the

future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented below.

	December 31, 2016	December 31, 2015
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2015, mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2015. The prior experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	$7,775,865	$5,089,838	$2,851,509

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2016, is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities,

retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation Date	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2016, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.
* levered 2x

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	$36,074,292	$27,085,212	$19,466,844

NOTE 15 - POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was $31,953, $58,022, and $60,791, respectively. For 2017, 98.03 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

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 health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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 health care 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. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contribution to OP&F which was allocated to fund postemployment healthcare benefits for police and firefighters was $22,005 and $25,239 for the year ended December 31, 2017, $21,324 and $21,840 for the year ended December 31, 2016, and $155,029 and $163,334 for the year ended December 31, 2015. For 2017, 97.39 percent has been contributed for both police and firefighters with the balance being reported as an *intergovernmental payable*. The full amount has been contributed for 2016 and 2015.

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. The Deferred pay and income earned on it is not subject to federal and State income until actually received by the employee. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Insurance

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

NOTE 17 – CITY ADMINISTERED OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

Membership of the plan consisted of the following at December 31, 2011: (latest information available)

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

The C-9 Trust is a single-employer defined benefit post-employment healthcare plan. The plan covers retired employees of the City and their spouses. The plan provides for allowable insurance premiums plus reimbursement for uninsured expenses (deductibles, co-pays, etc.) up to $2,250 per individual per year. The City's

postemployment benefit coverage was established under, and is administrated in accordance with, Internal Revenue Code 501 (c) 9.

Summary of Significant Accounting Policies

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

Funding Policy and Annual OPEB Cost

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

Schedule of Employer Contributions

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

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

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

Funded Status and Funded Progress

Schedule of Funding Process

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

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

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

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

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

NOTE 18 - INTERFUND ACTIVITY

The interfund receivable/payable as of December 31, 2017 is $1,120,732 and is the result of the General Fund having a negative cash balance at year end. A receivable/payable is presented for reporting purposes.

During 2017, the General Fund transferred money to the Transportation and Fire Nonmajor Funds in the amounts of $336,441 and $29,561, respectively, due to the forgiveness of prior year advances.

NOTE 19 - ACCOUNTABILITY

Accountability

The General fund had a deficit balance of $191,355. The General Fund deficit balance exists because sufficient revenues have not been generated to cover expenditures.

The General Fund is liable for the deficits and provides transfers when cash is required, not when accruals occur.

NOTE 20 – JOINTLY GOVERNED ORGANIZATION

The City participates in the Ohio Energy Special Improvement District, Inc. (SID), a 501©(3) not for profit corporation. The SID was created to encourage and participate in programs which maintain, improve, and expand the central business district as a viable business, cultural, and recreational community, to provide programming which will preserve the economic well-being and employment opportunities in the central business district, and to encourage and participate in programs to preserve the aesthetic, architectural, and historical character of the central business district. The SID is governed by an eight member board of trustees consisting of the Chief Executive of the City of Norwood Ohio.

NOTE 21 - CONTINGENCIES

Litigation

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

Federal and State Grants

For the period January 1, 2017 to December 31, 2017, the City received State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 22 – SHARED RISK POOL

The Public Entities Pool of Ohio (PEP) is a statutory entity created pursuant to section 2744.081, of the Ohio Revised Code, by the execution of an intergovernmental contract ("Participation Agreements"). PEP enables the subscribing subdivisions to pool risk for property, liability and public official liability. PEP has no employees, rather it is administered through contracts with various professionals.

Pursuant to a contract, the firm of Wells Fargo Insurance Services administers PEP. PEP is a separate legal entity. PEP subcontracts certain self-insurance, administrative and claims functions to a "Pool Operator," currently Pottering Insurance. PEP has executed contracts with various professionals for actuary services, as independent auditors, as loss control representatives, as litigation management and defense law firms, as counsel to PEP and others as required.

PEP is governed by a seven member Board of Trustees elected by the members of PEP. The City makes an annual contribution to PEP for the coverage it is provided, based on rates established by PEP. Financial information may be obtained by writing to the Public Entities Pool of Ohio, 229 Riverside Drive, Dayton, Ohio, 45402.

NOTE 23 - FISCAL EMERGENCY

On October 6, 2016, the Auditor of State declared the City of Norwood to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a financial planning and supervision commission. The Commission is comprised of a representative of the Office of Budget and Management, a representative of the Treasurer of State, the Mayor, the President of City Council, and three individuals appointed by the Governor who are residents of the City and meet certain criteria. In accordance with Section 118.06 of the Ohio Revised Code, the City is required to submit to the Commission a financial recovery plan for the City which outlines the measures to be taken to eliminate the fiscal emergency conditions. The initial recovery plan was approved by the City on July 5, 2017.

City of Norwood, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Four Years (1)

	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.02241400%	0.02444100%	0.02393400%	0.02393400%
City's Proportionate Share of the Net Pension Liability	$5,089,838	$4,233,490	$2,886,707	$2,821,507
City's Covered Payroll	$2,901,125	$3,039,562	$2,934,125	$3,177,538
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.44%	139.28%	98.38%	88.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

City of Norwood, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Four Years (1)

	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.42762300%	0.44499400%	0.39166280%	0.39166280%
City's Proportionate Share of the Net Pension Liability	$27,085,212	$28,626,776	$20,289,766	$19,075,207
City's Covered Payroll	$8,632,814	$6,367,269	$7,696,906	$5,493,037
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	313.75%	449.59%	263.61%	347.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	71.71%	73.00%

(1) Although this schedule is inteneded to reflect information for ten years, information prio
to 2014 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date
which is the prior year end.

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City of Norwood, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Five Years (1)

	2017	2016	2015	2014	2013
Contractually Required Contribution	$381,976	$348,135	$364,747	$352,095	$413,080
Contributions in Relation to the Contractually Required Contribution	(381,976)	(348,135)	(364,747)	(352,095)	(413,080)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
City Covered-Employee Payroll	$2,938,277	$2,901,125	$3,039,562	$2,934,125	$3,177,538
Contributions as a Percentage of Covered-Employee Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

City of Norwood, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	2017	2016	2015	2014
Contractually Required Contribution	$2,760,003	$1,836,799	$1,356,782	$1,639,083
Contributions in Relation to the Contractually Required Contribution	(2,760,003)	(1,836,799)	(1,356,782)	(1,639,083)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered-Employee Payroll	$12,902,347	$8,632,814	$6,367,269	$7,696,906
Contributions as a Percentage of Covered-Employee Payroll:	21.39%	21.28%	21.31%	21.30%

2013	2012	2011	2010	2009	2008
$982,759	$1,297,224	$1,358,372	$1,379,918	$1,456,693	$1,428,371
(982,759)	(1,297,224)	(1,358,372)	(1,379,918)	(1,456,693)	(1,428,371)
$0	$0	$0	$0	$0	$0
$5,493,037	$8,610,736	$9,054,786	$9,214,358	$9,726,711	$9,431,982
17.89%	15.07%	15.00%	14.98%	14.98%	15.14%

Changes in Assumptions - OPERS

Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	December 31, 2017	December 31, 2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

J.L. UHRIG
AND ASSOCIATES INC.
CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwood, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2018, wherein we noted that the City is in Fiscal Emergency and is experiencing significant deficits.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weakness or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2017-002 to be a significant deficiency.

78 North Plaza Blvd. ~ Chillicothe, OH 45601 740.775.8448 ~ Fax 740.775.8442

Members of Council
City of Norwood, Hamilton County
Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 and 2017-002.

Purpose of this Report

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

June 28, 2018

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

Finding Number 2017-001

Noncompliance

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

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

Fund	Total Appropriations	Appropriations Posted	Variance
General	$22,262,896	$22,845,210	($582,314)
M&R	558,500	561,351	(2,851)
State Highway Improvement	43,382	60,040	(16,658)
C.W.N.P	44,534	45,309	(775)
Permissive Tax	182,095	210,472	(28,377)
Mayors Court Computerization	63,509	63,330	179
Tree Board	10,552	17,442	(6,890)
DAG	144,719	167,788	(23,069)
Drug Law Enforcement	9,118	9,216	(98)
Economic Development	2,107	2,762	(655)
Health Department	247,224	257,563	(10,339)
Recreation Commission	0	6,180	(6,180)
EMS Fund	0	11,297	(11,297)
Water	4,184,453	4,472,218	(287,765)
Refuse Collections	1,448,815	1,565,966	(117,151)
Sewerage	9,272,889	10,750,394	(1,477,505)
Storm Water Management	41,211	76,452	(35,241)
Building Assessment	10,632	11,735	(1,103)
Fire Agency Fund	94,939	108,272	(13,333)
Total	$38,621,575	$41,242,997	($2,621,422)

Officials' Response:

The City provided no response to this finding.

Finding Number 2017-002

Noncompliance/Significant Deficiency

Ohio Revised Code § 5705.10, states that monies paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative balance indicates that money from one fund was used to cover the expenses of another fund. At December 31, 2017, there was a negative cash fund balance for the General Fund of $1,325,810. Negative cash fund balances are an indication that receipts from other sources were used to pay obligations of these funds. Fund activity should be monitored to prevent future disbursements in excess of available resources. The City should not make any expenditure from any fund if the resulting expenditure will exceed the fund cash balance.

Sound internal controls over financial planning, financial monitoring and budgetary processes are pertinent to help ensure the City's improved financial position and future stability. In October 2004, the City was declared to be in Fiscal Watch by the Auditor of State and in October 2016, the City was moved into Fiscal Emergency by the Auditor of State. The General Fund also experienced significant reductions in GAAP-basis fund balance and cash balances during 2017. During economic downturns, management needs to take additional steps to ensure its improved financial position and future stability. Additional steps might include additional financial planning measures to attempt to increase revenues or further decrease expenditures, and additional financial monitoring to ensure management is intimately aware of the City's financial position to help ensure that effective financial strategies are developed and initiated. The City should review its financial planning, financial monitoring, and budgetary processing procedures to ensure that sufficient steps are taken that will positively impact the City's current financial position.

Officials' Response:

The City provided no response to this finding.

City of Norwood, Ohio
Schedule of Prior Audit Findings
For the Year Ended December 31, 2017

Finding Number	Description	Status	Comments
	Government Auditing Standards:		
2016-001	Ohio Admin. Code 117-02-02 (C) (1) – Integration of budgetary accounts	Not Corrected	Reissued as Finding 2017-001
2016-002	Ohio Revised Code § 5705.10 – Negative cash fund balance	Not Corrected	Reissued as Finding 2017-002

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Dave Yost • Auditor of State

CITY OF NORWOOD

HAMILTON COUNTY

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER, 27 2018

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