



**Auditor of State
Betty Montgomery**

**City of Norwood
Hamilton County, Ohio**

**Fiscal Watch Analysis
At December 31, 2003 and the Year Ending
December 31, 2004**

Local Government Services Section

City of Norwood

Fiscal Watch Analysis

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Declaration of Fiscal Watch..... | 2 |
| Fiscal Watch Analysis | |
| Introduction..... | 3 |
| Past Due Accounts Payable from the General Fund and All Funds | 3 |
| Deficit Fund Balances..... | 5 |
| Treasury Deficiency..... | 5 |
| Financial Forecast | 7 |
| Summary | 8 |
| Appendix A..... | 9 |



**Auditor of State
Betty Montgomery**

Certification of Deficit and Declaration of Fiscal Watch

The Auditor of State performed a fiscal analysis of the City of Norwood pursuant to Section 118.022 of the Ohio Revised Code. The analysis took the form of a review of financial conditions at December 31, 2003 and the examination of a financial forecast of the general fund for the year ending December 31, 2004. Based on the examination of the financial forecast of the general fund of the City of Norwood, the Auditor of State does hereby certify a deficit in the general fund of \$1,546,000 for the year ending December 31, 2004. On the basis of this certified deficit, a fiscal watch exists at the City of Norwood as defined by Section 118.022 (A)(4) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Thomas Williams, Mayor of the City of Norwood; Jane Grote, President of Council; Donnie R. Jones, City Auditor; and the Hamilton County Budget Commission.

Betty Montgomery

Betty Montgomery
Auditor of State

October 7, 2004

City of Norwood, Hamilton County

Fiscal Watch Analysis

Determination of Fiscal Watch Condition

As provided by Section 118.021 and 118.022(A) of the Ohio Revised Code, the Auditor of State, as requested by the Mayor of the City of Norwood (the City), performed a fiscal watch analysis of the City of Norwood, Hamilton County.

This report sets forth a fiscal watch analysis as of December 31, 2003 and for the period ending December 31, 2004. For a fiscal watch to be declared, based on an analysis at December 31, 2003, any one of three conditions described below must exist at the date. A fiscal watch may also be declared based on a financial forecast for the current year if certain criteria are met for the forecast period.

The guidelines for performing such an analysis are set forth in Sections 118.022 of the Ohio Revised Code. The specific procedures performed for each of the fiscal watch conditions identified in Section 118.022 of the Ohio Revised Code are presented below.

Past Due Accounts Payable from the General Fund and All Funds

Section 118.022 (A)(1), of the Ohio Revised Code defines a fiscal watch condition as:

The existence of either of the following situations:

(a) All accounts that were due and payable from the general fund of a municipal corporation, county, or township at the end of the preceding fiscal year that had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty was added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund, exceeded one-twelfth of the general fund budget for that year.

(b) All accounts that were due and payable at the end of the preceding fiscal year from all funds of the municipal corporation, county, or township and that had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty was added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in the respective special funds available to pay such accounts, exceeded one-twelfth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts are payable.

We prepared a schedule of accounts payable as of December 31, 2003, that were due and payable from the general fund, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2003. From this amount we subtracted the year-end fund balance available in the general fund to determine if the accounts payable in excess of the available fund balance exceeded one-twelfth of the general fund budget for that year.

City of Norwood, Hamilton County

Fiscal Watch Analysis

Schedule I

General Fund Accounts Payable Over Thirty Days Past Due
Ohio Revised Code Section 118.022(A)(1)(a)
As of December 31, 2003

| | Payables Over 30 Days Past Due | General Fund Balance Available | Available Balance in Excess of Payables |
|--------------|---|---|--|
| | <hr/> | <hr/> | <hr/> |
| General Fund | \$16,036 | \$417,328 | \$401,292 |

We prepared a second schedule of accounts payable as of December 31, 2003, that were due and payable from all funds for at least thirty days or to which a penalty was added as of December 31, 2003. From this amount we subtracted the year-end fund balance in the general fund and the respective special funds available to pay such outstanding bills. We then determined if the accounts payable in excess of the available fund balance exceeded one-twelfth of the available revenues during 2003, excluding non-recurring receipts, of the general fund and of all special funds from which such accounts are lawfully payable.

Schedule II

Accounts Payable from All Funds Over Thirty Days Past Due
Ohio Revised Code Section 118.022(A)(1)(b)
As of December 31, 2003

| | Payables Over 30 Days Past Due | Fund Balance Available | Available Balance/Payables in Excess of Fund Balance |
|---|---|------------------------------|---|
| | <hr/> | <hr/> | <hr/> |
| General Fund | \$16,036 | \$417,328 | \$401,292 |
| Street Maintenance and Repair | 4,988 | 16,557 | 0 |
| DAG | 263 | 64,690 | 0 |
| Economic Development | 1,559 | 295,490 | 0 |
| Recreation Commission | 533 | 10,807 | 0 |
| Water | 60 | 559,354 | 0 |
| General Improvement | 13,394 | 103,634 | 0 |
| Bureau of Crippled Children's Safety | 7,378 | 2,989 | (4,389) |
| Fund Balance in Excess of Accounts Payable | | | <hr/> <hr/> \$396,903 |

Conclusion: Schedules I and II indicate that a fiscal watch condition does not exist under Section 118.022(A)(1). Accounts payable which were at least thirty days past due from the general fund at year-end did not exceed the available balance in the general fund at December 31, 2003 and the accounts payables over 30 days past due at year-end from all funds did not exceed the available balance in the general fund and the respective special funds to pay such accounts at December 31, 2003.

City of Norwood, Hamilton County

Fiscal Watch Analysis

Deficit Fund Balances

Section 118.022(A)(2) of the Ohio Revised Code defines a fiscal watch condition as:

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

We computed the adjusted aggregate sum of all deficit funds as of December 31, 2003, by subtracting all accounts payable and encumbrances from year-end cash fund balances of each fund. We then determined if the aggregate deficit fund balance exceeded one-twelfth of the general fund budget and the receipts of those deficit funds. After computing the unprovided portion of the aggregate deficit, we subtracted funds that may be transferred, as provided in Section 5705.14 of the Revised Code, to meet such deficits.

Schedule III

Deficit Fund Balances
Ohio Revised Code Section 118.022(A)(2)
As of December 31, 2003

| Funds | Fund Balances | Accounts Payable and Encumbrances | Adjusted Aggregate Funds With Deficit Balances | One-Twelfth of Fund Receipts | (Unprovided) Portion of Aggregate Deficit |
|---|------------------|--|--|------------------------------------|--|
| Sewerage - MSD Agency | \$323,541 | \$706,789 | (\$383,248) | \$235,959 | (\$147,289) |
| Bureau of Crippled Children's Safety | 3,934 | 8,323 | (4,389) | 1,072 | (3,317) |
| Total | \$327,475 | \$715,112 | (\$387,637) | \$237,031 | (150,606) |
| Funds Available for Transfer from the General Fund | | | | | 401,292 |
| Funds Available for Transfer in Excess of Deficits | | | | | <u>\$250,686</u> |

Conclusion: Schedule III indicates that a fiscal watch condition does not exist under Section 118.022(A)(2) of the Ohio Revised Code as of December 31, 2003. The adjusted aggregate balance of those funds with a deficit at December 31, 2003 did not exceed one-twelfth of the fund receipts of the respective deficit funds plus the balance available for transfer from the general fund.

Treasury Deficiency

Section 118.022 (A)(3) of the Ohio Revised Code defines a fiscal watch condition as:

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

City of Norwood, Hamilton County

Fiscal Watch Analysis

We compared the City's bank balances to its fund cash balances as of December 31, 2003. From the treasury balance we subtracted the aggregate sum of all positive fund balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. The City has no funds with a deficit cash balance; therefore, no further analysis was necessary. This analysis includes an unreconciled difference between cash and fund balance of \$7,932.

| | Schedule IV |
|--|------------------|
| Treasury Balance | |
| Ohio Revised Code Section 118.022 (A)(3) | |
| As of December 31, 2003 | |
| | Amounts |
| | December 31, |
| | 2003 |
| <u>Bank Balances</u> | |
| US Bank Accounts | \$3,283,762 |
| Escrow Accounts | 51,840 |
| Certificates of Deposit | 399,455 |
| Total Cash | <u>3,735,057</u> |
| <u>Less: Adjustments</u> | |
| Outstanding Checks | (149,929) |
| Unreconciled Differences | (7,932) |
| Total Adjustments | <u>(157,861)</u> |
| Total Treasury Balance | <u>3,577,196</u> |
| <u>Positive Cash Fund Balances:</u> | |
| General Fund | 655,457 |
| Street Maintenance and Repair | 53,623 |
| State Highway Improvement | 19,355 |
| C.W.N.P. | 5,486 |
| Permissive Tax | 590,549 |
| Mayor's Court Computer | 28,528 |
| Tree Board | 988 |
| C-9 Trust | 108,418 |
| Senior Dental | 7,088 |
| DAG | 66,417 |
| Drug Law Enforcement | 9,780 |
| Economic Development | 317,821 |
| Urban Development | 1,000 |
| Health Department | 15,362 |
| Pace Telecommunication | 62,080 |
| Council on Aging | 7,359 |
| BJA Crime Prevention | 31,183 |
| Recreation Commission | 24,644 |
| Linder Park Flower | 94,740 |

(continued)

City of Norwood, Hamilton County

Fiscal Watch Analysis

| | Schedule IV |
|--|-------------------|
| Treasury Balance | |
| Ohio Revised Code Section 118.022 (A)(3) | |
| As of December 31, 2003 | |
| (continued) | |
| | Amounts |
| | December 31, |
| | <u>2003</u> |
| Step Grant | \$50,245 |
| Recycle Ohio | 3,350 |
| Homeland Security | 187 |
| EMS Fund | 36,326 |
| Debt Service | 2,578 |
| Capital Project Parks & Recreation | 10,055 |
| Water | 881,763 |
| Sewerage-MSD Agency | 323,541 |
| General Improvements | 103,634 |
| Bureau of Crippled Children's Safety | 3,934 |
| Water Trust | 43,921 |
| Community Center Trust | 64 |
| Robert S. McCullough Garden | 1,157 |
| Alcohol Education Enforcement | 7,598 |
| Building Assessment | 1,429 |
| Police Vehicle Replacement | 536 |
| Fixed Assets | 7,000 |
| Total Positive Fund Balances | <u>3,577,196</u> |
| Treasury Balance Less Positive Fund Balances | <u><u>\$0</u></u> |

Conclusion: Schedule IV indicates that a fiscal watch condition does not exist under Section 118.022(A)(3) of the Ohio Revised Code as of December 31, 2003. The treasury balance was not less than the sum of the positive fund balances.

Financial Forecast

Section 118.022(A)(4) of the Ohio Revised Code defines a fiscal watch condition as:

Based on an examination of the financial forecast approved by the legislative authority of a municipal corporation, county, or township, the auditor of state certifies that the general fund deficit at the end of the current fiscal year will exceed one-twelfth of the general fund revenue from the preceding fiscal year.

The Norwood City Council, on June 22, 2004, approved a financial forecast of the general fund for the year ending December 31, 2004. The Auditor of State examined the forecast and issued a report dated September 30, 2004 (see Appendix A). The financial forecast anticipates a deficit in the general fund of \$1,546,000 which exceeds one-twelfth (\$1,370,000) of the preceding year's general fund revenue.

Conclusion: The financial forecast of the general fund for the year ending December 31, 2004 indicates that a fiscal watch exists under Section 118.022(A)(4) of the Ohio Revised Code. The forecasted deficit of \$1,546,000 exceeds one-twelfth of the general fund revenue from the prior year by \$176,000.

City of Norwood, Hamilton County

Fiscal Watch Analysis

Summary

A fiscal watch exists at the City of Norwood as defined in Section 118.022(A)(4) of the Ohio Revised Code and presented in Appendix A.

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

Appendix A.

City of Norwood
Financial Forecast
For the Year Ending December 31, 2004

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Independent Accountant's Report..... | 11 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - for the Years Ended December 31, 2003 and 2002, Actual; and Ending December 31, 2004, Forecasted | 12 |
| Summary of Significant Forecast Assumptions and Accounting Policies..... | 18 |



**Auditor of State
Betty Montgomery**

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

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance – budget basis of the general fund of the City of Norwood for the year ending December 31, 2004. The City of Norwood's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of the City of Norwood for the year ended December 31, 2002 was audited by us and we expressed an unqualified opinion on them in our report dated June 5, 2003. The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of the City of Norwood for the year ended December 31, 2003 were compiled by us. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them.

Betty Montgomery

Betty Montgomery
Auditor of State

August 31, 2004

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City of Norwood, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2003 and 2002, Actual; and
Ending December 31, 2004, Forecasted

General Fund

| | 2002 Actual | 2003 Actual | 2004 Forecasted | Variance Increase (Decrease) |
|-------------------------------|-------------------|-------------------|--------------------|------------------------------------|
| <u>Revenues</u> | | | | |
| Municipal Income Tax | \$10,124,000 | \$10,408,000 | \$11,141,000 | \$733,000 |
| Property and Other Taxes | 2,817,000 | 2,866,000 | 2,663,000 | (203,000) |
| Charges for Services | 569,000 | 597,000 | 588,000 | (9,000) |
| Fines, Licenses and Permits | 573,000 | 597,000 | 610,000 | 13,000 |
| Intergovernmental | 1,519,000 | 1,217,000 | 1,299,000 | 82,000 |
| Investment Income | 17,000 | 22,000 | 22,000 | 0 |
| Contributions and Donations | 43,000 | 66,000 | 63,000 | (3,000) |
| Other | 155,000 | 74,000 | 57,000 | (17,000) |
| Total Revenues | 15,817,000 | 15,847,000 | 16,443,000 | 596,000 |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| General Government | | | | |
| Council | | | | |
| Personal Services | 102,000 | 104,000 | 93,000 | (11,000) |
| Materials and Supplies | 1,000 | 0 | 0 | 0 |
| Total Council | 103,000 | 104,000 | 93,000 | (11,000) |
| Clerk of Council | | | | |
| Personal Services | 36,000 | 36,000 | 39,000 | 3,000 |
| Contractual Services | 9,000 | 12,000 | 17,000 | 5,000 |
| Total Clerk of Council | 45,000 | 48,000 | 56,000 | 8,000 |
| Mayor | | | | |
| Personal Services | 80,000 | 82,000 | 66,000 | (16,000) |
| Contractual Services | 4,000 | 4,000 | 5,000 | 1,000 |
| Materials and Supplies | 0 | 0 | 1,000 | 1,000 |
| Total Mayor | 84,000 | 86,000 | 72,000 | (14,000) |
| Clerk of Courts | | | | |
| Personal Services | 82,000 | 72,000 | 74,000 | 2,000 |
| Contractual Services | 20,000 | 25,000 | 33,000 | 8,000 |
| Materials and Supplies | 6,000 | 3,000 | 4,000 | 1,000 |
| Total Clerk of Courts | 108,000 | 100,000 | 111,000 | 11,000 |
| Solicitor | | | | |
| Personal Services | 152,000 | 151,000 | 152,000 | 1,000 |
| Contractual Services | 16,000 | 11,000 | 9,000 | (2,000) |
| Materials and Supplies | 4,000 | 1,000 | 1,000 | 0 |
| Total Solicitor | 172,000 | 163,000 | 162,000 | (1,000) |

(continued)

City of Norwood, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2003 and 2002, Actual; and
Ending December 31, 2004, Forecasted

| General Fund (continued) | | | | Variance |
|-----------------------------------|----------------|----------------|----------------|-----------------|
| | 2002 | 2003 | 2004 | Increase |
| | Actual | Actual | Forecasted | (Decrease) |
| Auditor | | | | |
| Personal Services | \$229,000 | \$238,000 | \$253,000 | \$15,000 |
| Contractual Services | 10,000 | 4,000 | 8,000 | 4,000 |
| Materials and Supplies | 6,000 | 2,000 | 2,000 | 0 |
| Total Auditor | <u>245,000</u> | <u>244,000</u> | <u>263,000</u> | <u>19,000</u> |
| Treasurer | | | | |
| Personal Services | 80,000 | 81,000 | 81,000 | 0 |
| Contractual Services | 4,000 | 17,000 | 23,000 | 6,000 |
| Materials and Supplies | 0 | 0 | 1,000 | 1,000 |
| Total Treasurer | <u>84,000</u> | <u>98,000</u> | <u>105,000</u> | <u>7,000</u> |
| Earnings Tax | | | | |
| Personal Services | 168,000 | 158,000 | 134,000 | (24,000) |
| Contractual Services | 11,000 | 11,000 | 16,000 | 5,000 |
| Materials and Supplies | 5,000 | 5,000 | 6,000 | 1,000 |
| Total Earnings Tax | <u>184,000</u> | <u>174,000</u> | <u>156,000</u> | <u>(18,000)</u> |
| Civil Service | | | | |
| Personal Services | 26,000 | 28,000 | 22,000 | (6,000) |
| Contractual Services | 43,000 | 21,000 | 17,000 | (4,000) |
| Total Civil Service | <u>69,000</u> | <u>49,000</u> | <u>39,000</u> | <u>(10,000)</u> |
| Safety Director | | | | |
| Personal Services | 2,000 | 0 | 0 | 0 |
| Service Director | | | | |
| Personal Services | 81,000 | 83,000 | 95,000 | 12,000 |
| Contractual Services | 4,000 | 3,000 | 4,000 | 1,000 |
| Total Service Director | <u>85,000</u> | <u>86,000</u> | <u>99,000</u> | <u>13,000</u> |
| Other Transportation Costs | | | | |
| Materials and Supplies | 67,000 | 82,000 | 86,000 | 4,000 |
| Project Coordinator | | | | |
| Personal Services | 1,000 | 0 | 0 | 0 |
| Buildings | | | | |
| Personal Services | 170,000 | 212,000 | 229,000 | 17,000 |
| Contractual Services | 81,000 | 59,000 | 57,000 | (2,000) |
| Materials and Supplies | 2,000 | 1,000 | 3,000 | 2,000 |
| Total Buildings | <u>253,000</u> | <u>272,000</u> | <u>289,000</u> | <u>17,000</u> |

(continued)

City of Norwood, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2003 and 2002, Actual; and
Ending December 31, 2004, Forecasted

| General Fund (continued) | | | | Variance |
|--|------------------|------------------|------------------|----------------|
| | 2002 | 2003 | 2004 | Increase |
| | Actual | Actual | Forecasted | (Decrease) |
| Garage | | | | |
| Personal Services | \$170,000 | \$182,000 | \$193,000 | \$11,000 |
| Contractual Services | 7,000 | 4,000 | 4,000 | 0 |
| Materials and Supplies | 9,000 | 7,000 | 7,000 | 0 |
| Total Garage | 186,000 | 193,000 | 204,000 | 11,000 |
| Bus Service | | | | |
| Personal Services | 43,000 | 1,000 | 0 | (1,000) |
| Materials and Supplies | 1,000 | 0 | 0 | 0 |
| Total Bus Service | 44,000 | 1,000 | 0 | (1,000) |
| Public Land and Buildings | | | | |
| Personal Services | 44,000 | 48,000 | 48,000 | 0 |
| Contractual Services | 171,000 | 183,000 | 171,000 | (12,000) |
| Materials and Supplies | 35,000 | 41,000 | 39,000 | (2,000) |
| Other | 108,000 | 130,000 | 174,000 | 44,000 |
| Total Public Land and Buildings | 358,000 | 402,000 | 432,000 | 30,000 |
| Total General Government | 2,090,000 | 2,102,000 | 2,167,000 | 65,000 |
| Public Safety | | | | |
| Prisoners Housed Outside of the City | | | | |
| Contractual Services | 30,000 | 15,000 | 11,000 | (4,000) |
| Police Administration | | | | |
| Personal Services | 182,000 | 173,000 | 191,000 | 18,000 |
| Contractual Services | 15,000 | 19,000 | 13,000 | (6,000) |
| Materials and Supplies | 6,000 | 1,000 | 1,000 | 0 |
| Other | 3,000 | 5,000 | 8,000 | 3,000 |
| Total Police Administration | 206,000 | 198,000 | 213,000 | 15,000 |
| Crime Control, Prevention and Investigation | | | | |
| Personal Services | 3,997,000 | 4,280,000 | 4,627,000 | 347,000 |
| Contractual Services | 78,000 | 48,000 | 48,000 | 0 |
| Materials and Supplies | 67,000 | 54,000 | 62,000 | 8,000 |
| Total Crime Control, Prevention and Investigation | 4,142,000 | 4,382,000 | 4,737,000 | 355,000 |
| Auxiliary Police | | | | |
| Personal Services | 172,000 | 181,000 | 180,000 | (1,000) |
| Contractual Services | 1,000 | 0 | 0 | 0 |
| Materials and Supplies | 1,000 | 0 | 0 | 0 |
| Total Auxiliary Police | 174,000 | 181,000 | 180,000 | (1,000) |

(continued)

City of Norwood, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2003 and 2002, Actual; and
Ending December 31, 2004, Forecasted

| General Fund (continued) | | | | Variance |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2002 | 2003 | 2004 | Increase |
| | <u>Actual</u> | <u>Actual</u> | <u>Forecasted</u> | <u>(Decrease)</u> |
| Fire Administration | | | | |
| Personal Services | \$205,000 | \$205,000 | \$206,000 | \$1,000 |
| Contractual Services | 18,000 | 19,000 | 8,000 | (11,000) |
| Materials and Supplies | 6,000 | 5,000 | 2,000 | (3,000) |
| Other | 22,000 | 24,000 | 35,000 | 11,000 |
| Total Fire Administration | <u>251,000</u> | <u>253,000</u> | <u>251,000</u> | <u>(2,000)</u> |
| | | | | |
| Fire Fighting and Prevention Section | | | | |
| Personal Services | 4,680,000 | 4,829,000 | 5,241,000 | 412,000 |
| Contractual Services | 45,000 | 42,000 | 42,000 | 0 |
| Materials and Supplies | 196,000 | 66,000 | 62,000 | (4,000) |
| Total Fire Fighting and Prevention Section | <u>4,921,000</u> | <u>4,937,000</u> | <u>5,345,000</u> | <u>408,000</u> |
| | | | | |
| Emergency Dispatchers | | | | |
| Personal Services | 535,000 | 556,000 | 546,000 | (10,000) |
| Contractual Services | 49,000 | 45,000 | 67,000 | 22,000 |
| Materials and Supplies | 2,000 | 2,000 | 0 | (2,000) |
| Total Emergency Dispatchers | <u>586,000</u> | <u>603,000</u> | <u>613,000</u> | <u>10,000</u> |
| | | | | |
| School Crossing Guards | | | | |
| Personal Services | 45,000 | 48,000 | 38,000 | (10,000) |
| Total Public Safety | <u>10,355,000</u> | <u>10,617,000</u> | <u>11,388,000</u> | <u>771,000</u> |
| | | | | |
| Community Environment | | | | |
| Community Center | | | | |
| Personal Services | 71,000 | 88,000 | 98,000 | 10,000 |
| Contractual Services | 13,000 | 8,000 | 4,000 | (4,000) |
| Materials and Supplies | 21,000 | 4,000 | 6,000 | 2,000 |
| Other | 0 | 17,000 | 23,000 | 6,000 |
| Total Community Center | <u>105,000</u> | <u>117,000</u> | <u>131,000</u> | <u>14,000</u> |
| | | | | |
| Parks and Playgrounds | | | | |
| Personal Services | 199,000 | 244,000 | 261,000 | 17,000 |
| Contractual Services | 37,000 | 7,000 | 6,000 | (1,000) |
| Materials and Supplies | 22,000 | 18,000 | 16,000 | (2,000) |
| Total Parks and Playgrounds | <u>258,000</u> | <u>269,000</u> | <u>283,000</u> | <u>14,000</u> |
| Total Community Environment | <u>363,000</u> | <u>386,000</u> | <u>414,000</u> | <u>28,000</u> |

(continued)

City of Norwood, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2003 and 2002, Actual; and
Ending December 31, 2004, Forecasted

| General Fund (continued) | | | | Variance |
|--|-----------|-----------|------------|------------|
| | 2002 | 2003 | 2004 | Increase |
| | Actual | Actual | Forecasted | (Decrease) |
| Highways and Streets | | | | |
| Public Works | | | | |
| Personal Services | \$112,000 | \$110,000 | \$120,000 | \$10,000 |
| Contractual Services | 12,000 | 11,000 | 11,000 | 0 |
| Materials and Supplies | 3,000 | 1,000 | 3,000 | 2,000 |
| Total Public Works | 127,000 | 122,000 | 134,000 | 12,000 |
| Public Health | | | | |
| Health Administration | | | | |
| Personal Services | 128,000 | 139,000 | 148,000 | 9,000 |
| Contractual Services | 13,000 | 16,000 | 19,000 | 3,000 |
| Materials and Supplies | 1,000 | 1,000 | 2,000 | 1,000 |
| Other | 8,000 | 8,000 | 10,000 | 2,000 |
| Total Health Administration | 150,000 | 164,000 | 179,000 | 15,000 |
| Medical Services | | | | |
| Personal Services | 109,000 | 92,000 | 118,000 | 26,000 |
| Contractual Services | 20,000 | 12,000 | 11,000 | (1,000) |
| Materials and Supplies | 6,000 | 5,000 | 3,000 | (2,000) |
| Total Medical Services | 135,000 | 109,000 | 132,000 | 23,000 |
| Environmental Health | | | | |
| Personal Services | 107,000 | 114,000 | 123,000 | 9,000 |
| Contractual Services | 15,000 | 10,000 | 1,000 | (9,000) |
| Total Environmental Health | 122,000 | 124,000 | 124,000 | 0 |
| Total Public Health | 407,000 | 397,000 | 435,000 | 38,000 |
| Waste Removal | | | | |
| Waste Collection | | | | |
| Contractual Services | 825,000 | 779,000 | 897,000 | 118,000 |
| Materials and Supplies | 4,000 | 0 | 1,000 | 1,000 |
| Total Waste Collection | 829,000 | 779,000 | 898,000 | 119,000 |
| <u>Nondepartmental Accounts</u> | | | | |
| Employee Benefits | | | | |
| Police and Fire Accrued Liability | 150,000 | 150,000 | 150,000 | 0 |
| Retirees Health Care | 359,000 | 377,000 | 399,000 | 22,000 |
| C-9 Trust | 96,000 | 132,000 | 300,000 | 168,000 |
| DRETAC | 4,000 | 11,000 | 11,000 | 0 |
| COBRA | 5,000 | 6,000 | 10,000 | 4,000 |
| Contribution to Workmen's | | | | |
| Compensation Insurance | 6,000 | 6,000 | 9,000 | 3,000 |
| State Unemployment Compensation | 21,000 | 3,000 | 32,000 | 29,000 |

(continued)

City of Norwood, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2003 and 2002, Actual; and
Ending December 31, 2004, Forecasted

| General Fund (continued) | | | | Variance |
|--|-------------------|-------------------|----------------------|----------------------|
| | 2002 | 2003 | 2004 | Increase |
| | <u>Actual</u> | <u>Actual</u> | <u>Forecasted</u> | <u>(Decrease)</u> |
| Government Services and Fees | | | | |
| Wastewater Management | \$0 | \$0 | \$11,000 | \$11,000 |
| State Examiner's Fees | 37,000 | 40,000 | 62,000 | 22,000 |
| County Auditor and Treasurer Fees | 34,000 | 35,000 | 55,000 | 20,000 |
| Election Expense | 10,000 | 5,000 | 9,000 | 4,000 |
| Advertisement of Delinquent Taxes | 1,000 | 0 | 1,000 | 1,000 |
| Professional Services and Legal Fees | | | | |
| Judgments Against the City | 18,000 | 2,000 | 1,000 | (1,000) |
| Outside Legal Fees | 7,000 | 1,000 | 150,000 | 149,000 |
| Miscellaneous Accounts | | | | |
| Real Estate Tax (County) | 15,000 | 16,000 | 19,000 | 3,000 |
| Earnings Tax Refund | 221,000 | 121,000 | 130,000 | 9,000 |
| Insurance | 248,000 | 263,000 | 321,000 | 58,000 |
| Random Drug Testing | 9,000 | 9,000 | 9,000 | 0 |
| Total Nondepartmental Accounts | <u>1,241,000</u> | <u>1,177,000</u> | <u>1,679,000</u> | <u>502,000</u> |
| Total Expenditures | <u>15,412,000</u> | <u>15,580,000</u> | <u>17,115,000</u> | <u>1,535,000</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Sale of Assets (Stock) | 2,026,000 | 0 | 0 | 0 |
| Operating Transfers-Out | (2,643,000) | (772,000) | (1,300,000) | 528,000 |
| Total Other Financing Sources (Uses) | <u>(617,000)</u> | <u>(772,000)</u> | <u>(1,300,000)</u> | <u>528,000</u> |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (212,000) | (505,000) | (1,972,000) | (1,467,000) |
| Cash Balance, January 1 | <u>1,372,000</u> | <u>1,160,000</u> | <u>655,000</u> | <u>(505,000)</u> |
| Cash Balance (Deficit), December 31 | 1,160,000 | 655,000 | (1,317,000) | (1,972,000) |
| Encumbrances at December 31 | <u>214,000</u> | <u>239,000</u> | <u>229,000</u> | <u>(10,000)</u> |
| Unencumbered Fund Balance (Deficit), December 31 | <u>\$946,000</u> | <u>\$416,000</u> | <u>(\$1,546,000)</u> | <u>(\$1,962,000)</u> |

See Summary of Significant Assumptions and Accounting Policies.

City of Norwood

Summary of Significant Assumptions and Accounting Policies
For the Year Ending December 31, 2004

Note 1 - The City

The City of Norwood (City) was incorporated in 1888 as a political subdivision of the State of Ohio established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under the Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the City of Norwood's Council Members knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects City Council's judgment of the expected conditions and its expected course of action as of August 31, 2004, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. By virtue of Ohio law, the City is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. For presentation in the forecast, encumbrances are presented as a reduction of the ending cash fund balance.

B. - Fund Accounting

The City maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

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 general fund resources are available to the City for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds – These funds account for the proceeds of specific revenue sources (other than expendable trusts or those for major capital projects) that are legally restricted to expenditures for specific purposes.

City of Norwood

Summary of Significant Assumptions and Accounting Policies
For the Year Ending December 31, 2004

Debt Service Fund – Debt service funds are used to account for the accumulation of resources for the payment of principal and interest on general obligation bonds and special assessment bonds.

Capital Projects Funds – Capital project funds are used to account for financial resources used for acquisition or construction of major capital facilities.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for any activity for which a fee is charged to external users for goods and services.

Fiduciary Funds

Trust and Agency Funds – Fiduciary funds are used to account for money held for the benefit of other governments and other individuals. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds.

C. - Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. Appropriations passed by City Council may only be amended by further City Council action.

The level of appropriation control exercised by City Council for the general fund is department and major object such as personal services, contractual services, materials and supplies, and other.

Budget – A budget of estimated cash receipts and disbursements is submitted to the Hamilton County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the succeeding fiscal year.

Estimated Resources - The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the estimated receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year. The temporary appropriation measure may remain in place until March 31 by which time the annual appropriation measure must be adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The City uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

City of Norwood

Summary of Significant Assumptions and Accounting Policies
For the Year Ending December 31, 2004

Note 4 - General Operating Assumptions

The City will continue to operate and maintain current service levels and pay all obligations timely, including employee salaries and wages and debt obligations. The forecast contains those expenditures the City has determined to be necessary to preserve the health, welfare, and safety of the citizens of the City.

Note 5 - Significant Assumptions for Revenues and Other Financing Sources

A. – Municipal Income Tax

The City levies a two percent income tax on the gross salaries, wages and other personal service compensation earned by residents both in and out of the City and the earnings of nonresidents (except certain transients) earned in the City. Residents that do not work in the City and pay other city taxes of two percent or greater, do not pay the City’s income tax. However, residents that do not work in the City and pay less than two percent income tax to other cities, pay to the City the difference between the two percent City rate and the rate paid to the city in which they work. The tax also applies to net income of business organizations for business conducted in the City. All income tax revenue is credited to the general fund.

Historical trends show that 60 percent of the revenue for municipal income tax is collected from January through July. Based on this trend, the City anticipates collecting \$11,141,000 in 2004, an increase of seven percent from 2003.

Municipal income tax consists of tax collected from individuals, businesses, and withholdings. Withholdings comprise 80 percent of municipal income tax. The increase in income tax revenue for 2003 and 2004 is due to the addition of employees, or employees working more overtime, in the Medpace Building, the American Laundry Building, and other large businesses in the City. The increase in income tax revenue is also due to these businesses increasing the number of employees and additional construction workers working in the City.

The actual income tax revenue for 2003, actual revenue for the first seven months of 2004, and the estimated revenue for the remainder of 2004 are as follows:

| | 2002 Actual | Percent | 2003 Actual | Percent | 2004 Actual/ Forecasted |
|-----------|----------------|---------|----------------|---------|----------------------------|
| January | \$873,000 | 9% | \$903,000 | 9% | \$981,000 |
| February | 874,000 | 9% | 865,000 | 8% | 862,000 |
| March | 650,000 | 6% | 757,000 | 7% | 780,000 |
| April | 1,256,000 | 12% | 1,154,000 | 11% | 1,226,000 |
| May | 869,000 | 9% | 920,000 | 9% | 1,030,000 |
| June | 812,000 | 8% | 861,000 | 8% | 824,000 |
| July | 730,000 | 7% | 764,000 | 7% | 982,000 |
| Subtotal | 6,064,000 | 60% | 6,224,000 | 60% | 6,685,000 |
| August | 741,000 | 7% | 775,000 | 7% | - |
| September | 827,000 | 8% | 950,000 | 9% | - |
| October | 887,000 | 9% | 843,000 | 8% | - |
| November | 789,000 | 8% | 820,000 | 8% | - |
| December | 816,000 | 8% | 796,000 | 8% | - |
| | 4,060,000 | 40% | 4,184,000 | 40% | 4,456,000 |
| Total | \$10,124,000 | 100% | \$10,408,000 | 100% | \$11,141,000 |

City of Norwood

Summary of Significant Assumptions and Accounting Policies
For the Year Ending December 31, 2004

B. – Property and Other Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Homestead and rollback is not included in property taxes, rather this amount is included with intergovernmental revenue. The property tax rate for the City is \$11.40 per \$1,000 of assessed valuation. The County Treasurer collects property taxes on behalf of all taxing districts, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property tax revenue received during 2004 for real and public utility property taxes represents collections of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2003 real property taxes are levied after October 1, 2003 on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

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. 2003 public utility property taxes, which became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The amount forecasted for property taxes is based on actual collections from January through July and estimated property taxes expected to be collected from August through December. The estimated amount of property taxes was provided by the County Auditor's Office. The decrease in real estate is due to an overpayment from the County Auditor's Office in prior years that is being withheld from the 2004 taxes. The decrease in estimated tangible personal property tax is due to an increase in the collection of delinquent taxes in 2003.

The actual property and other taxes for 2003, actual revenue for the first seven months of 2004, and the estimated revenue for the remainder of 2004 are as follows:

| | Actual 2003 | Actual January - July 2004 | Forecasted August - December 2004 | Total 2004 | Variance (Decrease) |
|---------------------------------|--------------------|-------------------------------------|--|--------------------|------------------------|
| <u>Property and Other Taxes</u> | | | | | |
| General Property Tax - | | | | | |
| Real Estate | \$2,028,000 | \$1,770,000 | \$158,000 | \$1,928,000 | (\$100,000) |
| Tangible Personal | | | | | |
| Property Taxes | 832,000 | 56,000 | 675,000 | 731,000 | (101,000) |
| Admission Tax | 6,000 | 2,000 | 2,000 | 4,000 | (2,000) |
| Total | \$2,866,000 | \$1,828,000 | \$835,000 | \$2,663,000 | (\$203,000) |

City of Norwood

Summary of Significant Assumptions and Accounting Policies
For the Year Ending December 31, 2004

C. – Charges for Services

Charges for services consists of court costs, false alarm fees, special police service fees, special fire service fees, emergency medical service fees, recycling program fees, certificate of use fees, certificate of occupancy fees, and parking meter fees. The most significant amount of charges for services is the emergency medical service fees for ambulance runs. Actual revenue collected from January through July is comparable to the historical periods.

D. – Fines, Licenses and Permits

Fines, licenses and permits include court costs, traffic fines, and building permits. Based on current collections and historical trends, the City anticipates \$610,000 for 2004.

E. – Intergovernmental Revenue

Intergovernmental revenue consists of local government fund distribution from the State, estate tax, hotel lodging excise tax, alcoholic beverage tax, homestead and rollback, personal property exemption, and state grants. The amount forecasted for intergovernmental revenue, including estate tax, is based on actual collections and the estimates confirmed by the County Auditor’s Office who distributes most of the revenues to local governments within the county.

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the City for the loss of real property taxes as a result of the above (rollback and homestead). Property tax allocation revenue is based on estimated and actual settlements. All intergovernmental revenue, except for estate tax, is assumed to be fairly consistent with prior years.

The actual intergovernmental revenue for 2003 and the first seven months of 2004, and the estimated revenue for the remainder of 2004 are as follows:

| | Actual 2003 | Actual January - July 2004 | Forecasted August - December 2004 | Total 2004 | Variance Increase (Decrease) |
|---------------------------|--------------------|-------------------------------------|--|--------------------|------------------------------------|
| Intergovernmental Revenue | | | | | |
| Local Government | \$788,000 | \$508,000 | \$284,000 | \$792,000 | \$4,000 |
| Estate Tax | 98,000 | 90,000 | 84,000 | 174,000 | 76,000 |
| Hotel Lodging Excise Tax | 17,000 | 14,000 | 5,000 | 19,000 | 2,000 |
| Alcoholic Beverages Tax | 37,000 | 2,000 | 34,000 | 36,000 | (1,000) |
| Homestead and Rollback | 251,000 | 126,000 | 126,000 | 252,000 | 1,000 |
| Personal Property - | | | | | |
| \$10,000 Exemption | 20,000 | 0 | 20,000 | 20,000 | 0 |
| State Grants | 6,000 | 6,000 | 0 | 6,000 | 0 |
| Total | \$1,217,000 | \$746,000 | \$553,000 | \$1,299,000 | \$82,000 |

City of Norwood

Summary of Significant Assumptions and Accounting Policies
For the Year Ending December 31, 2004

F. – Investment Income

Investment income is estimated to be consistent with fiscal year 2003. The City combines the cash balances of individual funds to form a pool of cash and investments. In addition, several funds separately hold cash and investments. Earnings from the pooled cash and investments are allocated on a monthly basis to each participating fund based on month-end equity balances.

G. – Contributions and Donations

Actual revenue received from January through July was consistent with 2003. The estimate of \$63,000 is based on the City receiving a contribution of \$38,000 from the Norwood City School District, which was confirmed with the Norwood City School District. This contribution was received in the prior years.

H. – Other

Actual revenue for other revenue was less than previous years for the period of January through July. The estimated revenue to be received from August through December is based on current and historical trends, excluding unusual receipts.

Note 6 - Significant Assumptions for Expenditures and Other Financing Uses

A. – Personal Services

Personal service expenditures represent the salaries and wages paid to elected officials and city employees, and employer contributions to the State pension systems, health care benefits, life insurance, and worker's compensation. Nearly every City employee receives health care benefits. The City pays 100 percent of the premium of health care benefits.

City Council, by ordinance, establishes the terms and conditions of employment for City employees. Those terms and conditions generally are the products of negotiations with representatives of the bargaining units. Non-bargaining unit employee compensation is set by Council and all their benefits closely parallel the negotiated agreements.

The forecasted personal service expenditures are based on the actual personal service expenditures for January through July 2004 and the estimated personal service expenditures for August through December 2004. The August through December personal service expenditures assume the existing staff levels will not change and current pay rates will remain constant. Staff levels have remained consistent in each department in the prior years.

Most City employees' compensation is expressed as a bi-weekly rate and an annual rate assuming the normal 26 pays per year. Due to a quirk in the 2004 calendar, all City employees will receive 27 pays in 2004. The estimated cost of the extra pay date is approximately \$450,000.

The majority of the estimated increase in personal service expenditures is due to the Division of Crime Control, Prevention and Investigation of the Police Department, and the Division of Fire Fighting and Prevention of the Fire Department. These two divisions represent approximately 74 percent of the personal service expenditures paid from the general fund.

City of Norwood

Summary of Significant Assumptions and Accounting Policies
For the Year Ending December 31, 2004

The Division of Crime Control, Prevention and Investigation received percentage increases in their bi-weekly pay, as well as step increases, if eligible, based on years of experience. The labor agreement between the City of Norwood and the Police Division states, "All employees covered by this Agreement shall receive a basic wage increase effective January 1, 2004, that is equal to the percentage increase in the Cost of Living BLS July index for the year 2003, plus an additional amount to guarantee that each employee receives a wage increase for calendar year 2004 not to exceed four percent above his or her bi-weekly salary rate for the year 2003. However in no event shall the annual cost of living increase, plus any supplemental wage increase, be greater than four percent." All employees in the Division of Crime Control, Prevention and Investigation will receive a 4 percent wage increase, and employees that change positions will receive various wage increases. Overtime for the Division of Crime Control, Prevention, and Investigation is estimated to increase by \$17,000, from \$176,000 in 2003, to \$193,000 in 2004. This estimated increase is based on actual overtime expenditures from January through July.

The labor agreement between the City of Norwood and Local Union #445, International Association of Firefighters has expired. The labor agreement was for the years 2001-2003. For years 2001, 2002, and 2003, firefighters received wage increases, annually, on January 1, of four percent. The forecast is based on the assumption that firefighters will not receive any wage increases, excluding step increases, for 2004. Firefighters that are eligible will receive approximately a 5 percent step increase. Overtime for the Division of Fire Fighting and Prevention is estimated to increase by \$45,000, from \$149,000 in 2003, to \$194,000 in 2004. This estimated increase is based on actual overtime expenditures from January through July.

The City is currently in negotiations with the firefighters. The likelihood of a new bargaining agreement achieving no base increases for 2004 is unknown. The forecast is particularly sensitive to any increase in the base salaries for the fire department. An increase of one percent in the base salaries in 2004 would increase total expenditures for personal services by \$38,000 with a corresponding increase in the forecasted deficit of the general fund.

All of the remaining departments and divisions have received varying cost of living increases and step increases based upon their bargaining contract.

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 8.5 percent of their annual-covered salary and the City contributes 13.55 percent of annual-covered salary.

All full-time police officers and firefighters contribute to the Ohio Police and Fire Pension Fund (OPFPF). OPFPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. Police and firefighters are required to contribute 10 percent of their annual-covered salary and the City is required to contribute 19.5 percent for police and 24 percent for firefighters.

City of Norwood

Summary of Significant Assumptions and Accounting Policies
For the Year Ending December 31, 2004

The City offers a Preferred Provider Organization (PPO) and a Health Maintenance Organization (HMO) health care plan to its employees. Both the PPO and the HMO offer a single plan and a family plan. The monthly premium under the PPO for a single plan and a family plan are \$545 and \$1,247, respectively. The monthly premium under the HMO for a single plan and a family plan are \$244 and \$778, respectively. The premiums for both plans increased 15 percent from 2003 to 2004. The City pays 100 percent of the monthly premium. The policies are effective through December 31, 2004.

The actual personal service expenditures by department/division for the past two years and the estimated amounts for 2004 are as follows:

| Department/Division | 2002 Actual | 2003 Actual | 2004 Forecasted | Variance Increase (Decrease) |
|--|---------------------|---------------------|---------------------|------------------------------------|
| Council | \$102,000 | \$104,000 | \$93,000 | (\$11,000) |
| Clerk of Council | 36,000 | 36,000 | 39,000 | 3,000 |
| Mayor | 80,000 | 82,000 | 66,000 | (16,000) |
| Clerk of Courts | 82,000 | 72,000 | 74,000 | 2,000 |
| Solicitor | 152,000 | 151,000 | 152,000 | 1,000 |
| Auditor | 229,000 | 238,000 | 253,000 | 15,000 |
| Treasurer | 80,000 | 81,000 | 81,000 | 0 |
| Earnings Tax | 168,000 | 158,000 | 134,000 | (24,000) |
| Civil Service | 26,000 | 28,000 | 22,000 | (6,000) |
| Safety Director | 2,000 | 0 | 0 | 0 |
| Service Director | 81,000 | 83,000 | 95,000 | 12,000 |
| Project Coordinator | 1,000 | 0 | 0 | 0 |
| Buildings | 170,000 | 212,000 | 229,000 | 17,000 |
| Garage | 170,000 | 182,000 | 193,000 | 11,000 |
| Bus Service | 43,000 | 1,000 | 0 | (1,000) |
| Public Land and Buildings | 44,000 | 48,000 | 48,000 | 0 |
| Police Administration | 182,000 | 173,000 | 191,000 | 18,000 |
| Crime Control, Prevention and Investigation | 3,997,000 | 4,280,000 | 4,627,000 | 347,000 |
| Auxiliary Police | 172,000 | 181,000 | 180,000 | (1,000) |
| Fire Administration | 205,000 | 205,000 | 206,000 | 1,000 |
| Fire Fighting and Prevention | 4,680,000 | 4,829,000 | 5,241,000 | 412,000 |
| Emergency Dispatchers | 535,000 | 556,000 | 546,000 | (10,000) |
| School Crossing Guards | 45,000 | 48,000 | 38,000 | (10,000) |
| Community Center | 71,000 | 88,000 | 98,000 | 10,000 |
| Parks and Playgrounds | 199,000 | 244,000 | 261,000 | 17,000 |
| Public Works | 112,000 | 110,000 | 120,000 | 10,000 |
| Health Administration | 128,000 | 139,000 | 148,000 | 9,000 |
| Health Medical Services | 109,000 | 92,000 | 118,000 | 26,000 |
| Environmental Health | 107,000 | 114,000 | 123,000 | 9,000 |
| Total | <u>\$12,008,000</u> | <u>\$12,535,000</u> | <u>\$13,376,000</u> | <u>\$841,000</u> |

City of Norwood

Summary of Significant Assumptions and Accounting Policies
For the Year Ending December 31, 2004

B. – Contractual Services

Contractual services are services provided by external sources to departments and divisions of the City. Approximately 60 percent of the contractual service expenditures arise from the Waste Collection Department. Waste collection services represent payments that are primarily to Rumpke of Ohio, Inc. for trash pickup in the City. Expenditures for January through July were greater than the same period of 2003. The stated amount of the contract with Rumpke of Ohio, Inc., \$801,936, does not include additional services such as yard waste collection. The contract between the City and Rumpke of Ohio, Inc. is effective from January 1, 2002 through December 31, 2004.

The actual contractual service expenditures by department/division for the past two years and the estimated amounts for 2004 are as follows:

| Department | 2002 Actual | 2003 Actual | 2004 Forecasted | Variance Increase (Decrease) |
|--|--------------------|--------------------|--------------------|------------------------------------|
| Clerk of Council | \$9,000 | \$12,000 | \$17,000 | \$5,000 |
| Mayor | 4,000 | 4,000 | 5,000 | 1,000 |
| Clerk of Courts | 20,000 | 25,000 | 33,000 | 8,000 |
| Solicitor | 16,000 | 11,000 | 9,000 | (2,000) |
| Auditor | 10,000 | 4,000 | 8,000 | 4,000 |
| Treasurer | 4,000 | 17,000 | 23,000 | 6,000 |
| Earnings Tax | 11,000 | 11,000 | 16,000 | 5,000 |
| Civil Service | 43,000 | 21,000 | 17,000 | (4,000) |
| Service Director | 4,000 | 3,000 | 4,000 | 1,000 |
| Buildings | 81,000 | 59,000 | 57,000 | (2,000) |
| Garage | 7,000 | 4,000 | 4,000 | 0 |
| Public Land and Buildings | 171,000 | 183,000 | 171,000 | (12,000) |
| Prisoners Housed Outside of City | 30,000 | 15,000 | 11,000 | (4,000) |
| Police Administration | 15,000 | 19,000 | 13,000 | (6,000) |
| Crime Control, Prevention and Investigation | 78,000 | 48,000 | 48,000 | 0 |
| Auxiliary Police | 1,000 | 0 | 0 | 0 |
| Fire Administration | 18,000 | 19,000 | 8,000 | (11,000) |
| Fire Fighting and Prevention | 45,000 | 42,000 | 42,000 | 0 |
| Emergency Dispatchers | 49,000 | 45,000 | 67,000 | 22,000 |
| Community Center | 13,000 | 8,000 | 4,000 | (4,000) |
| Parks and Playgrounds | 37,000 | 7,000 | 6,000 | (1,000) |
| Public Works | 12,000 | 11,000 | 11,000 | 0 |
| Health Administration | 13,000 | 16,000 | 19,000 | 3,000 |
| Health Medical Services | 20,000 | 12,000 | 11,000 | (1,000) |
| Environmental Health | 15,000 | 10,000 | 1,000 | (9,000) |
| Waste Collection | 825,000 | 779,000 | 897,000 | 118,000 |
| Total | \$1,551,000 | \$1,385,000 | \$1,502,000 | \$117,000 |

City of Norwood

Summary of Significant Assumptions and Accounting Policies
For the Year Ending December 31, 2004

C. – Materials and Supplies

The City does not anticipate any significant changes in expenditures for materials and supplies. The actual material and supplies expenditures by department/division for the past two years and the estimated amounts for 2004 are as follows:

| Department | 2002 Actual | 2003 Actual | 2004 Forecasted | Variance Increase (Decrease) |
|--|------------------|------------------|--------------------|------------------------------------|
| Council | \$1,000 | \$0 | \$0 | \$0 |
| Mayor | 0 | 0 | 1,000 | 1,000 |
| Clerk of Courts | 6,000 | 3,000 | 4,000 | 1,000 |
| Solicitor | 4,000 | 1,000 | 1,000 | 0 |
| Auditor | 6,000 | 2,000 | 2,000 | 0 |
| Treasurer | 0 | 0 | 1,000 | 1,000 |
| Earnings Tax | 5,000 | 5,000 | 6,000 | 1,000 |
| Other Transportation Costs | 67,000 | 82,000 | 86,000 | 4,000 |
| Buildings | 2,000 | 1,000 | 3,000 | 2,000 |
| Garage | 9,000 | 7,000 | 7,000 | 0 |
| Bus Service | 1,000 | 0 | 0 | 0 |
| Public Land and Buildings | 35,000 | 41,000 | 39,000 | (2,000) |
| Police Administration | 6,000 | 1,000 | 1,000 | 0 |
| Crime Control, Prevention and Investigation | 67,000 | 54,000 | 62,000 | 8,000 |
| Auxiliary Police | 1,000 | 0 | 0 | 0 |
| Fire Administration | 6,000 | 5,000 | 2,000 | (3,000) |
| Fire Fighting and Prevention | 196,000 | 66,000 | 62,000 | (4,000) |
| Emergency Dispatchers | 2,000 | 2,000 | 0 | (2,000) |
| Community Center | 21,000 | 4,000 | 6,000 | 2,000 |
| Parks and Playgrounds | 22,000 | 18,000 | 16,000 | (2,000) |
| Public Works | 3,000 | 1,000 | 3,000 | 2,000 |
| Health Administration | 1,000 | 1,000 | 2,000 | 1,000 |
| Health Medical Services | 6,000 | 5,000 | 3,000 | (2,000) |
| Waste Collection | 4,000 | 0 | 1,000 | 1,000 |
| Total | <u>\$471,000</u> | <u>\$299,000</u> | <u>\$307,000</u> | <u>\$8,000</u> |

D. – Other

The largest portion of other expenditures for each department or division is for gas and electric services. The increase in other expenditures is due to rate and consumption increases for gas and electric services.

City of Norwood

Summary of Significant Assumptions and Accounting Policies
For the Year Ending December 31, 2004

The actual other expenditures by department/division for the past two years and the estimated amounts for 2004 are as follows:

| Department | 2002 Actual | 2003 Actual | 2004 Forecasted | Variance Increase |
|---------------------------|----------------|----------------|--------------------|----------------------|
| Public Land and Buildings | \$108,000 | \$130,000 | \$174,000 | \$44,000 |
| Police Administration | 3,000 | 5,000 | 8,000 | 3,000 |
| Fire Administration | 22,000 | 24,000 | 35,000 | 11,000 |
| Community Center | 0 | 17,000 | 23,000 | 6,000 |
| Health Administration | 8,000 | 8,000 | 10,000 | 2,000 |
| Total | \$141,000 | \$184,000 | \$250,000 | \$66,000 |

E. – Nondepartmental Accounts

Nondepartmental accounts are presented as they appear in the City’s accounting and budgetary system. The most significant increases in expenditures in the nondepartmental accounts occurred in C-9 Trust, State Unemployment Compensation, Outside Legal Fees, and Insurance.

The City provides a catastrophic health care plan to those retired employees described in city ordinance and the bargaining unit agreements. The Retirees Health Care Plan pays 80 percent of the health care costs not covered by the Ohio Public Employees Retirement System or the Ohio Police and Fire Pension Fund and Medicare eligible retirees. The entire costs of the monthly premiums are paid by the City. Employees hired prior to January 1, 1975 are eligible for the Retirees Health Care Plan.

In 1990, the City established a Voluntary Employee Benefit Association (C-9 Trust) under Internal Revenue Code 501 to provide health care benefits to eligible employees of the City and their beneficiaries. Benefits are limited to health care costs not covered by health care providers. Employees become eligible upon retirement, provided they are a class of employees described in the City’s ordinance and bargaining agreements. Benefits are funded on a pay-as-you go basis. The maximum benefits are \$2,250 per year, per person. The plan is wholly funded by the City. There are approximately 300 participants receiving benefits under the plan. The estimate contribution by the City in 2004 is \$300,000. This represents an increase of \$168,000 from 2003. The primary reason for the increase is that in 2003 all health care costs for retired police officers and firefighters eligible for C-9 Trust Plan benefits were covered by their pension plans. Beginning in 2004, the health care benefits for retired police officers and firefighters were reduced by their pension plans. Some benefits not covered by pension plans were eligible to be picked up by the C-9 Trust Plan. The City does not have fiduciary responsibility for this trust.

State unemployment compensation is estimated to increase significantly due to staff changes made by the new administration that started on January 1. The new administration replaced several employees resulting in unemployment compensation for those terminated.

Outside legal fees are estimated to increase due to an increase in lawsuits against the City. Many of these lawsuits were pending as of August 31, 2004. Outside legal fees include attorney fees, arbitration estimates, and other miscellaneous expenses.

General liability and public officials insurance is provided through Ohio Municipal League. The increase is due to rate increases in the policy. This insurance is for general liability and public officials’ liability.

City of Norwood

Summary of Significant Assumptions and Accounting Policies
For the Year Ending December 31, 2004

The actual nondepartmental account expenditures by department/division for the past two years and the estimated amounts for 2004 are as follows:

| Department | 2002 Actual | 2003 Actual | 2004 Forecasted | Variance Increase (Decrease) |
|---|----------------|----------------|--------------------|------------------------------------|
| Employee Benefits: | | | | |
| Police and Fire Accrued Liability | \$150,000 | \$150,000 | \$150,000 | \$0 |
| Retirees Health Care | 359,000 | 377,000 | 399,000 | 22,000 |
| C-9 Trust | 96,000 | 132,000 | 300,000 | 168,000 |
| DRETAC | 4,000 | 11,000 | 11,000 | 0 |
| COBRA | 5,000 | 6,000 | 10,000 | 4,000 |
| Workmen's Compensation Insurance | 6,000 | 6,000 | 9,000 | 3,000 |
| State Unemployment Compensation | 21,000 | 3,000 | 32,000 | 29,000 |
| Government Services and Fees: | | | | |
| Wastewater Management | 0 | 0 | 11,000 | 11,000 |
| State Examiner's Fees | 37,000 | 40,000 | 62,000 | 22,000 |
| County Auditor and Treasurer Fees | 34,000 | 35,000 | 55,000 | 20,000 |
| Election Expense | 10,000 | 5,000 | 9,000 | 4,000 |
| Advertisement of Delinquent Taxes | 1,000 | 0 | 1,000 | 1,000 |
| Professional Services and Legal Fees: | | | | |
| Judgments Against the City | 18,000 | 2,000 | 1,000 | (1,000) |
| Outside Legal Fees | 7,000 | 1,000 | 150,000 | 149,000 |
| Miscellaneous Accounts: | | | | |
| Real Estate Tax (County) | 15,000 | 16,000 | 19,000 | 3,000 |
| Earnings Tax Refund | 221,000 | 121,000 | 130,000 | 9,000 |
| General Liability and Public Officials Insurance | 248,000 | 263,000 | 321,000 | 58,000 |
| Random Drug Testing | 9,000 | 9,000 | 9,000 | 0 |
| | \$1,241,000 | \$1,177,000 | \$1,679,000 | \$502,000 |

F. - Other Financing Uses – Transfers Out

The City annually provides operating transfers to several funds and matching contributions to grant programs. The transfers for 2004 are as follows:

Recreation Commission Fund: The general fund annually transfers resources to the recreation fund to subsidize the recreation programs to the extent the various fees charged do not cover program expenditures.

Police and Fire Pension Repayment Fund: The general fund annually transfers resources to pay past due obligations from 1995 to the Ohio Police and Fire Pension Fund (OPFPF). The agreement between the City and OPFPF requires monthly payments of \$8,750 from the Police Department through 2007, and \$8,750 from the Fire Department through 2011.

City of Norwood

Summary of Significant Assumptions and Accounting Policies
For the Year Ending December 31, 2004

Separation Fund: The separation fund is used to pay termination or separation pay to employees who leave City employment. The general fund is the only fund to contribute to the separation fund and resources are transferred on an “as needed” basis. The City pays 100 percent of leave balances for vacation, holiday and compensatory time. Sick leave balances are paid out at varying rates depending on hire date, and years of service. The increase of \$112,000 is due to the anticipated amount of employees who may retire, and employees that have retired in the first seven months of 2004.

Emergency Medical Services (EMS) Fund: The general fund, by ordinance, transfers \$110,000 to the EMS fund for the payment of EMS training, supplies and equipment, a Medical Director and any other related expenditures necessary to maintain the Emergency Medical Services provided by the Norwood Fire Division.

Debt Service Fund: The general fund annually transfers the resources needed to pay the annual principal and interest on general obligation bonds. The increase of \$417,000 is due to debt issues that have been refinanced.

Other Grant Funds: The City has made the matching requirements for the various grant programs.

The actual transfers-out for 2003 and the first seven months of 2004, and the estimated transfers for the remainder of 2004 is as follows:

| | 2003 Actual | July 2004 Actual | December 2004 Forecasted | 2004 Total | Variance Increase (Decrease) |
|-----------------------|------------------|------------------------|--------------------------------|--------------------|------------------------------------|
| Recreation Fund | \$82,000 | \$49,000 | \$36,000 | \$85,000 | \$3,000 |
| Police/Fire Repayment | 210,000 | 123,000 | 88,000 | 211,000 | 1,000 |
| Separation Fund | 284,000 | 205,000 | 191,000 | 396,000 | 112,000 |
| EMS | 110,000 | 0 | 110,000 | 110,000 | 0 |
| Debt Service | 38,000 | 361,000 | 94,000 | 455,000 | 417,000 |
| Health Department | 2,000 | 0 | 0 | 0 | (2,000) |
| Fixed Assets | 45,000 | 0 | 0 | 0 | (45,000) |
| Other Grants | 1,000 | 0 | 43,000 | 43,000 | 42,000 |
| Total | \$772,000 | \$738,000 | \$562,000 | \$1,300,000 | \$528,000 |

Note 7 – Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis of accounting in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The City anticipates encumbered obligations to be approximately the same as prior years.

Note 8 - Pending Litigation

The City is a party to various legal proceedings. Management is of the opinion that settlements, if any, during the forecast period would not have a material effect on the forecast of the general fund.

City of Norwood

Summary of Significant Assumptions and Accounting Policies
For the Year Ending December 31, 2004

Note 9 – Other Funds

The City has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations for 2004. In addition, there are certain funds that annually rely upon a subsidy from the general fund to meet their obligations. These subsidies are reported as transfers-out and have been addressed under Note 6.



**Auditor of State
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CITY OF NORWOOD

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 7, 2004**