



4645 Montgomery Road
Norwood, Ohio 45212
Ph. (513) 458-4570
Fax (513) 458-4571

City of Norwood, Ohio

August 15, 2014

Dave Yost
Auditor of State of Ohio
and
Loren Crisp CPA, Chief Auditor
11117 Kenwood Road
Cincinnati, Ohio 45242

We are providing this letter as part of your audit of the basic financial statements of the City of Norwood (the "City") as of December 31, 2012 and for the year then ended, and the related notes to the financial statements, for the purpose of opining on the fair presentation, in all material respects, of each opinion unit's financial statements' respective financial position, its respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to those matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than 7% of assets, liabilities, equity, revenues or expenditures/expenses, as appropriate for the item, for each opinion unit are not considered to be exceptions requiring disclosure for the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

Our City's opinion units are:

- a. The government type activities
- b. The business type activities
- c. Each major governmental and enterprise fund
- d. The remaining fund information, consisting of :
 - i. Aggregated nonmajor governmental funds
 - ii. Aggregated nonmajor proprietary funds
 - iii. The combined fiduciary funds

We confirm to the best of our knowledge and belief, having made the inquiries we considered necessary to appropriately inform ourselves, as of July 25, 2014:

Financial Statements

1. We have fulfilled our responsibilities, described in the terms of the audit engagement dated June 27, 2013, for preparing and fairly presenting the financial statements in accordance with U.S. GAAP. Our responsibilities also include designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements and notes that are free from material misstatement, whether due to fraud or error.
2. The Auditor of State's Audit Division, audited the financial statements and proposed material audit adjustments to correct those statements.

We applied the following safeguards to assure we can properly assume the ultimate responsibility for the financial statement presentation:

- a. We designated a management-level individual responsible and accountable for overseeing the nonaudit service.
 - b. We established and monitored the Auditor of State's performance of the nonaudit service to ensure it met our objectives.
 - c. We made all decisions involving management functions related to the nonaudit service and we accept full responsibility for these decisions.
 - d. We evaluated the adequacy of the service performed and any resulting findings.
3. We believe the effects of uncorrected financial statement misstatements summarized in the accompanying Summary of Unadjusted Differences are immaterial, individually and in the aggregate, to each opinion unit.

We considered the materiality limits and the guidance described in the second paragraph above in making this determination.

4. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
5. We have classified subsequent events as *recognized* or *nonrecognized* per GASB Cod. 2250. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment (i.e. recognized) or disclosure have been adjusted or disclosed.
6. We considered the substance of recording or disclosing related party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties. (We understand the term "related party" to include those entities described in GASB Cod 2250).
7. There are no component units or joint ventures with an equity interest requiring inclusion in the financial statements. There are no joint ventures or related organizations requiring disclosure in the financial statements. We understand that the criteria for component unit determination are defined by GASB Cod. 2100.
8. Regarding pollution remediation liabilities (GASB Cod. P40): we have no knowledge that any of the following obligating events have occurred:
 - a. The City was compelled to take pollution remediation action because of an imminent endangerment.
 - b. The City violated a pollution prevention-related permit or license.
 - c. The City was named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party (PRP) for remediation, or as a City responsible for sharing costs.

- d. The City was named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation.
 - e. The City commenced or legally obligated itself to commence pollution remediation.
9. Net position components (i.e., net investment in capital assets; restricted; and unrestricted), and fund balance components (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
 10. Receivables recorded in the financial statements represent valid claims against debtors for charges for services arising on or before the balance sheet date, or represent grants and/or intergovernmental assistance or other nonexchange transactions meeting the recognition requirements of GASB Cod. N50 (GASB 33). Where needed, receivable balances have been reduced for amounts deemed uncollectible. Provisions for uncollectible receivables have been properly identified and recorded.
 11. Expenses are appropriately classified in or allocated to functions and programs in the statement of activities, and allocations are reasonable.
 12. Revenues are appropriately classified as program revenues or general revenues in the statement of activities.
 13. Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.
 14. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and if applicable, depreciated.
 15. The City has complied with IRS arbitrage regulations, and has recorded material arbitrage rebate liabilities.
 16. The following have been properly reported in the financial statements:
 - a. Arrangements with financial institutions involving compensating balances, or other arrangements involving restrictions on cash balances, lines of credit or similar arrangements.
 - b. Guarantees, whether written or oral, under which the City is contingently liable.

Information Provided

17. We have made available to you all:
 - a. Access to all information, of which we are aware that is relevant to preparing and fairly presenting the financial statements such as financial and accounting records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us during your audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the City Council
 - e. Summaries of actions of recent meetings for which minutes have not yet been prepared.

- f. The most recent meeting held was: June 10, 2014
18. All transactions have been recorded in the accounting records and are reflected in the financial statements.
19. We have disclosed to you the results of our assessment of the risk of material financial statement misstatement resulting from fraud.
20. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
- a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where fraud could materially affect the financial statements.
21. We have no knowledge of any:
- a. Allegations of fraud or suspected fraud affecting the City's financial statements received in communications from employees, former employees, analysts, regulators or others.
 - b. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could materially affect the financial statements.
 - c. Agreements to repurchase assets previously sold.
 - d. Plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred inflows / outflows, or equity.
22. We are responsible for understanding and complying with the City's compliance requirements with laws, regulations, and provisions of contracts and grant agreements applicable to it; and we have identified, and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that could directly and materially affect financial statement amounts. This includes legal and contractual provisions for reporting specific activities in separate funds. Except as made known to you, we have complied with all aspects of laws, regulations, and contractual and grant agreements that would materially affect the financial statements, including considering the need to record a loss contingency, in the event of noncompliance, including, but not limited to:
- a. Provisions of State and/or local statutes and ordinances related to preparing, adopting or amending the City's budget.
 - b. Requirements related to the City's debt, including those related to debt limits and debt covenants whose effects should be considered for disclosure or as a basis for recording a loss contingency.
 - c. All requirements covering investment of public monies and collateral for public fund deposits as defined by applicable State and/or local law. Risk disclosures associated with deposit and investment securities and derivative transactions are presented in accordance with GASB requirements.
 - d. Provisions related to tax levies.
23. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

24. We are aware of no other liabilities or gain or loss contingencies that are required to be disclosed by GASB Cod C50.
25. To the best of our knowledge and belief, none of the City's employees or elected officials has any material direct or indirect financial interest in any transaction consummated with the City, other than compensation and expenses budgeted for such persons.
26. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
27. The City has properly classified all funds and activities.
28. All funds meeting the quantitative criteria in GASBS 34 and 37 for major fund presentation are identified and presented as such.
29. The City's policy regarding whether to spend restricted or unrestricted resources first, when both restricted and unrestricted net position are available, is appropriately disclosed. Net positions were properly classified under the policy.
30. The City is following either its established accounting policy (which is appropriately disclosed) regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures, when more than one resource classification is available to determine the fund balance classifications for financial reporting purposes. Fund balances were properly classified under the policy.
31. Management acknowledges its responsibility for the *required supplementary information*.
 - a. The required supplementary information is measured and presented in accordance with prescribed guidelines.
 - b. The methods of measurement or presentation have not changed from those used in the prior period.
 - c. We are responsible for significant assumptions or interpretations underlying the measurement or presentation of required supplementary information, and we have communicated these to you.
32. Management acknowledges its responsibility for the supplementary information in accordance with the applicable criteria.
 - a. The supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria.
 - b. The methods of measurement or presentation have not changed from those used in the prior period.
 - c. We are responsible for developing significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and we have communicated these to you.
 - d. When the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
33. Except as known to you, there were no other defaults in principal, interest, sinking fund, or redemption provisions with respect to any issue of bonds or notes, or any breach of covenant of a related indenture or agreement.
34. The City has a process to track the status of audit findings and recommendations.
35. The City has identified for the auditor previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

Dave Yost
Auditor of State of Ohio
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36. We expended less than \$500,000 during the year in direct or pass-through Federal financial assistance.
37. **[Delete if there were no GAGAS or A-133 findings.]** We agree that Officials' Responses to findings reported in the compliance and controls report[s] *Government Auditing Standards* **[and OMB Circular A-133]** require[s] represent the responses of officials responsible for the compliance or control matter the finding describes, including conclusions and recommendations, as well as management's planned corrective actions. **OR>>** The officials responsible for the compliance or control matters reported in the compliance and controls reports *Government Auditing Standards* **[and Circular A-133]** require[s] declined to respond to those findings.

Sincerely,

Jim Stith, Auditor

Thomas Williams, Mayor

Attachment: Summary of Unadjusted Differences

