



**Auditor of State  
Betty Montgomery**

**City of Norwood  
Hamilton County, Ohio**

**Financial Forecast  
For the Year Ending December 31, 2006**

**Local Government Services Section**

**City of Norwood**  
**Financial Forecast**  
**For the Year Ending December 31, 2006**

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Table of Contents

	<u>Page</u>
Independent Accountant’s Report.....	2
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget Basis For the Years Ended December 31, 2004 and 2005, Actual; and Ending Ending December 31, 2006, Forecasted – General Fund .....	3
Summary of Significant Forecast Assumptions and Accounting Policies.....	9



**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, 2006. 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 City of Norwood for the years ended December 31, 2004, 2005, and 2006 were compiled by us in accordance with the Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. 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

December 4, 2006

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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, 2004 and 2005, Actual; and  
Ending December 31, 2006, Forecasted

General Fund

	2004 Actual	2005 Actual	2006 Forecasted
<b><u>Revenues</u></b>			
Municipal Income Tax	\$11,216,000	\$12,703,000	\$13,500,000
Property Taxes	2,748,000	2,304,000	2,461,000
Other Taxes	3,000	4,000	4,000
Charges for Services	583,000	509,000	478,000
Fines, Licenses and Permits	602,000	632,000	643,000
Intergovernmental	1,317,000	1,286,000	1,287,000
Investment Income	23,000	66,000	91,000
Contributions and Donations	70,000	1,082,000	114,000
Other	65,000	68,000	3,597,000
<b>Total Revenues</b>	<b>16,627,000</b>	<b>18,654,000</b>	<b>22,175,000</b>
<b><u>Expenditures</u></b>			
Current:			
General Government			
Council			
Personal Services	93,000	93,000	75,000
Clerk of Council			
Personal Services	36,000	28,000	28,000
Contractual Services	15,000	11,000	10,000
<b>Total Clerk of Council</b>	<b>51,000</b>	<b>39,000</b>	<b>38,000</b>
Mayor			
Personal Services	60,000	58,000	57,000
Contractual Services	4,000	2,000	1,000
Materials and Supplies	1,000	0	0
<b>Total Mayor</b>	<b>65,000</b>	<b>60,000</b>	<b>58,000</b>
Clerk of Courts			
Personal Services	71,000	66,000	71,000
Contractual Services	24,000	30,000	27,000
Materials and Supplies	2,000	1,000	2,000
<b>Total Clerk of Courts</b>	<b>97,000</b>	<b>97,000</b>	<b>100,000</b>
Solicitor			
Personal Services	151,000	167,000	166,000
Contractual Services	9,000	10,000	8,000
Materials and Supplies	0	0	1,000
<b>Total Solicitor</b>	<b>\$160,000</b>	<b>\$177,000</b>	<b>\$175,000</b>

(continued)

City of Norwood, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2004 and 2005, Actual; and  
Ending December 31, 2006, Forecasted

General Fund  
(continued)

	2004 Actual	2005 Actual	2006 Forecasted
<b>Auditor</b>			
Personal Services	\$253,000	\$252,000	\$242,000
Contractual Services	3,000	3,000	7,000
Materials and Supplies	2,000	2,000	2,000
<b>Total Auditor</b>	<b>258,000</b>	<b>257,000</b>	<b>251,000</b>
<b>Treasurer</b>			
Personal Services	81,000	81,000	85,000
Contractual Services	29,000	20,000	24,000
Materials and Supplies	1,000	0	0
<b>Total Treasurer</b>	<b>111,000</b>	<b>101,000</b>	<b>109,000</b>
<b>Earnings Tax</b>			
Personal Services	138,000	117,000	148,000
Contractual Services	12,000	14,000	24,000
Materials and Supplies	4,000	5,000	5,000
<b>Total Earnings Tax</b>	<b>154,000</b>	<b>136,000</b>	<b>177,000</b>
<b>Civil Service</b>			
Personal Services	24,000	30,000	28,000
Contractual Services	6,000	3,000	13,000
<b>Total Civil Service</b>	<b>30,000</b>	<b>33,000</b>	<b>41,000</b>
<b>Service Director</b>			
Personal Services	88,000	86,000	88,000
Contractual Services	3,000	2,000	3,000
<b>Total Service Director</b>	<b>91,000</b>	<b>88,000</b>	<b>91,000</b>
<b>Other Transportation Costs</b>			
Materials and Supplies	80,000	144,000	143,000
<b>Buildings</b>			
Personal Services	232,000	249,000	263,000
Contractual Services	43,000	61,000	58,000
Materials and Supplies	3,000	1,000	1,000
<b>Total Buildings</b>	<b>278,000</b>	<b>311,000</b>	<b>322,000</b>
<b>Garage</b>			
Personal Services	194,000	188,000	195,000
Contractual Services	3,000	6,000	6,000
Materials and Supplies	4,000	5,000	22,000
<b>Total Garage</b>	<b>\$201,000</b>	<b>\$199,000</b>	<b>\$223,000</b>

(continued)

City of Norwood, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2004 and 2005, Actual; and  
Ending December 31, 2006, Forecasted

General Fund  
(continued)

	2004 Actual	2005 Actual	2006 Forecasted
Public Land and Buildings			
Personal Services	\$44,000	\$1,000	\$0
Contractual Services	135,000	198,000	243,000
Materials and Supplies	25,000	16,000	23,000
Other	119,000	169,000	215,000
Total Public Land and Buildings	<u>323,000</u>	<u>384,000</u>	<u>481,000</u>
Total General Government	<u>1,992,000</u>	<u>2,119,000</u>	<u>2,284,000</u>
Public Safety			
Prisoners Housed Outside of the City			
Contractual Services	4,000	10,000	15,000
Police Administration			
Personal Services	183,000	192,000	224,000
Contractual Services	7,000	8,000	6,000
Materials and Supplies	0	1,000	3,000
Other	6,000	7,000	11,000
Total Police Administration	<u>196,000</u>	<u>208,000</u>	<u>244,000</u>
Crime Control, Prevention and Investigation			
Personal Services	4,402,000	4,483,000	6,267,000
Contractual Services	35,000	45,000	124,000
Materials and Supplies	49,000	50,000	80,000
Total Crime Control, Prevention and Investigation	<u>4,486,000</u>	<u>4,578,000</u>	<u>6,471,000</u>
Auxiliary Police			
Personal Services	160,000	134,000	152,000
Materials and Supplies	0	0	1,000
Total Auxiliary Police	<u>160,000</u>	<u>134,000</u>	<u>153,000</u>
Fire Administration			
Personal Services	197,000	205,000	268,000
Contractual Services	5,000	9,000	9,000
Materials and Supplies	1,000	1,000	1,000
Other	24,000	36,000	47,000
Total Fire Administration	<u>\$227,000</u>	<u>\$251,000</u>	<u>\$325,000</u>

(continued)

City of Norwood, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2004 and 2005, Actual; and  
Ending December 31, 2006, Forecasted

General Fund  
(continued)

	2004 Actual	2005 Actual	2006 Forecasted
Fire Fighting and Prevention Section			
Personal Services	\$4,776,000	\$5,102,000	\$7,713,000
Contractual Services	29,000	27,000	64,000
Materials and Supplies	18,000	47,000	9,000
Total Fire Fighting and Prevention Section	<u>4,823,000</u>	<u>5,176,000</u>	<u>7,786,000</u>
Emergency Dispatchers			
Personal Services	547,000	565,000	604,000
Contractual Services	26,000	39,000	35,000
Materials and Supplies	0	1,000	2,000
Total Emergency Dispatchers	<u>573,000</u>	<u>605,000</u>	<u>641,000</u>
School Crossing Guards			
Personal Services	45,000	44,000	50,000
Total Public Safety	<u>10,514,000</u>	<u>11,006,000</u>	<u>15,685,000</u>
Community Environment			
Community Center			
Personal Services	96,000	98,000	94,000
Contractual Services	3,000	2,000	4,000
Materials and Supplies	5,000	3,000	3,000
Other	16,000	34,000	47,000
Total Community Center	<u>120,000</u>	<u>137,000</u>	<u>148,000</u>
Parks and Playgrounds			
Personal Services	240,000	225,000	268,000
Contractual Services	6,000	4,000	3,000
Materials and Supplies	10,000	11,000	25,000
Total Parks and Playgrounds	<u>256,000</u>	<u>240,000</u>	<u>296,000</u>
Total Community Environment	<u>376,000</u>	<u>377,000</u>	<u>444,000</u>
Highways and Streets			
Public Works			
Personal Services	103,000	111,000	116,000
Contractual Services	9,000	10,000	12,000
Materials and Supplies	1,000	2,000	3,000
Total Public Works	<u>\$113,000</u>	<u>\$123,000</u>	<u>\$131,000</u>

(continued)

City of Norwood, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2004 and 2005, Actual; and  
Ending December 31, 2006, Forecasted

General Fund  
(continued)

	2004 Actual	2005 Actual	2006 Forecasted
<b>Public Health</b>			
Health Administration			
Personal Services	\$148,000	\$154,000	\$159,000
Contractual Services	14,000	19,000	22,000
Materials and Supplies	1,000	1,000	1,000
Other	8,000	11,000	15,000
Total Health Administration	<u>171,000</u>	<u>185,000</u>	<u>197,000</u>
Health Medical Services			
Personal Services	119,000	126,000	131,000
Contractual Services	9,000	15,000	10,000
Materials and Supplies	5,000	2,000	1,000
Total Health Medical Services	<u>133,000</u>	<u>143,000</u>	<u>142,000</u>
Environmental Health			
Personal Services	123,000	131,000	138,000
Contractual Services	1,000	1,000	1,000
Total Environmental Health	<u>124,000</u>	<u>132,000</u>	<u>139,000</u>
<b>Total Public Health</b>	<u>428,000</u>	<u>460,000</u>	<u>478,000</u>
<b>Waste Removal</b>			
Waste Collection			
Contractual Services	<u>707,000</u>	<u>231,000</u>	<u>0</u>
<b><u>Nondepartmental Accounts</u></b>			
Employee Benefits			
Police and Fire Accrued Liability	150,000	150,000	150,000
Retirees Health Care	457,000	447,000	445,000
C-9 Trust	300,000	300,000	300,000
DRETAC	7,000	4,000	6,000
COBRA	10,000	4,000	0
Contribution to Workers'			
Compensation Insurance	7,000	9,000	17,000
State Unemployment Compensation	27,000	0	0
Government Services and Fees			
Storm Water Management	11,000	56,000	0
State Examiner's Fees	45,000	6,000	35,000
County Auditor and Treasurer Fees	51,000	42,000	42,000
Election Expense	29,000	19,000	6,000
Advertisement of Delinquent Taxes	\$1,000	\$1,000	\$1,000

(continued)



City of Norwood, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2004 and 2005, Actual; and  
Ending December 31, 2006, Forecasted

General Fund  
(continued)

	2004 Actual	2005 Actual	2006 Forecasted
Professional Services and Legal Fees			
Judgments Against the City	\$2,000	\$1,000	\$20,000
Outside Legal Fees	76,000	52,000	62,000
Miscellaneous Accounts			
Real Estate Tax (County)	19,000	19,000	23,000
Earnings Tax Refund	98,000	303,000	182,000
Insurance	314,000	362,000	378,000
Random Drug Testing	7,000	7,000	9,000
Total Nondepartmental Accounts	<u>1,611,000</u>	<u>1,782,000</u>	<u>1,676,000</u>
Total Expenditures	<u>15,741,000</u>	<u>16,098,000</u>	<u>20,698,000</u>
Excess of Revenues Over Expenditures	886,000	2,556,000	1,477,000
<b><u>Other Financing Uses</u></b>			
Operating Transfers-Out	<u>(1,164,000)</u>	<u>(1,987,000)</u>	<u>(1,550,000)</u>
Excess of Revenues Over (Under) Expenditures and Other Financing Uses	(278,000)	569,000	(73,000)
Cash Balance, January 1	<u>655,000</u>	<u>377,000</u>	<u>946,000</u>
Cash Balance, December 31	377,000	946,000	873,000
Encumbrances at December 31	<u>315,000</u>	<u>186,000</u>	<u>111,000</u>
Unencumbered Fund Balance , December 31	<u><u>\$62,000</u></u>	<u><u>\$760,000</u></u>	<u><u>\$762,000</u></u>

See Summary of Significant Assumptions and Accounting Policies.

City of Norwood, Ohio

Summary of Significant Accounting Policies and Assumptions  
For the Year Ending December 31, 2006

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**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 and elected officers knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects City Council's and elected officer's judgment of the expected conditions and its expected course of action as of December 4, 2006, 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.

City of Norwood, Ohio

Summary of Significant Accounting Policies and Assumptions  
For the Year Ending December 31, 2006

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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.

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 projects funds are used to account for financial resources used for the 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. Nondepartmental accounts are presented separate from expenditures. This is the format used to present nondepartmental accounts in the City's modified cash financial report.

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.

City of Norwood, Ohio

Summary of Significant Accounting Policies and Assumptions  
For the Year Ending December 31, 2006

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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.

**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.

Municipal income tax consists of tax collected from individuals, businesses, and withholdings. Withholdings comprise 80 percent of municipal income tax. The large increase in municipal income tax in 2005 was due to the increased number of employees working in the City from the completion of the Cornerstone Building Project and the relocation of Cincinnati Bell into the City. Most corporations saw higher earnings in 2005 which contributed to an increase in municipal income taxes.

During 2005 Convergys Corporation and Zumbiel Packaging downsized their operations in the City; however, the loss of income tax revenue was offset by the relocation of Cincinnati Bell. In 2006, Cincinnati Bell had increased their employment. This along with the addition of three new companies in the Cornerstone Development contributed to an increase in income tax revenue over 2005.

The actual income tax revenue for 2004 and 2005, and the estimated revenue for 2006 are as follows:

<u>2004</u> <u>Actual</u>	<u>2005</u> <u>Actual</u>	<u>Percentage</u> <u>Variance</u>	<u>2006</u> <u>Forecasted</u>	<u>Percentage</u> <u>Variance</u>
\$11,216,000	\$12,703,000	13.26%	\$13,500,000	6.27%

City of Norwood, Ohio

Summary of Significant Accounting Policies and Assumptions  
For the Year Ending December 31, 2006

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**B. – Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. The general fund property tax rate for the City is \$11.40 per \$1,000 of assessed valuation. The property tax rate consists of \$8.00 per \$1,000 of assessed valuation for voted levies and \$3.40 per \$1,000 of assessed valuation levied under State law. 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.

Real and public utility property tax revenue received during 2006 represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are 2006 taxes.

2005 real property taxes are levied after October 1, 2005 on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

The laws of the State of Ohio presently require that all real property be revalued no less than every six years, at any time the County Auditor finds that true or taxable value thereof has changed, and in the third calendar year following the year in which a sexennial reappraisal is completed if ordered by the State Commissioner of Tax Equalization. The County completed a re-appraisal in 2005 which will increase assessed valuations and real estate property taxes collected in 2006. The forecast estimated a five percent increase in property tax as a result of the reappraisal in 2005 for 2006 revenues.

Tangible personal property tax revenue received during calendar year 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after October 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the City for all revenues lost due to these exemptions. The amount of the reimbursement is presented in intergovernmental revenues. Beginning in 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial real property. This change will increase real property taxes collected against commercial and industrial real property and decrease intergovernmental revenue.

City of Norwood, Ohio

Summary of Significant Accounting Policies and Assumptions  
For the Year Ending December 31, 2006

The estimated amount of property taxes was provided by the County Auditor's Office. The decrease in property tax from 2004 to 2005 is due to the collection of property taxes for debt activity. Prior to 2005, property tax revenue collected for debt activity was recorded in the general fund and transferred to the debt service fund. Beginning in 2005, property tax revenue used to pay debt was recorded in the debt service fund. The property tax revenue for debt service was \$330,000 and \$425,000 in 2005 and 2006, respectively.

The actual property taxes for 2004 and 2005, and the estimated property tax revenue for 2006 are as follows:

<u>Property Taxes</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Property Taxes	\$1,948,000	\$1,629,000	\$1,957,000
Tangible Personal Property Taxes	<u>800,000</u>	<u>675,000</u>	<u>504,000</u>
Total	<u><u>\$2,748,000</u></u>	<u><u>\$2,304,000</u></u>	<u><u>\$2,461,000</u></u>

**C. – Other Taxes**

Other taxes for the City include the admissions tax.

**D. – 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. Over 72 percent of charges for services come from emergency medical service fees for ambulance runs. Charges for services are projected to decrease due to the Fire Department charging fees for motor vehicle accidents and placing them in a special revenue fund as opposed to the general fund. The City started this practice in 2005. EMS services also decreased during 2006. This is due to the City only charging carriers for EMS runs. Residents of Norwood that do not have insurance are not billed for EMS runs.

**E. – Fines, Licenses and Permits**

Fines, licenses and permits are projected to increase due to increases in traffic fines, health licenses and building permits.

**F. – Intergovernmental Revenue**

Intergovernmental revenue consists of local government fund distributions from the State, estate tax, hotel lodging excise tax, alcoholic beverage tax, cigarette tax, homestead and rollback, personal property tax exemption, and state grants.

City of Norwood, Ohio

Summary of Significant Accounting Policies and Assumptions  
For the Year Ending December 31, 2006

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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 rollback and homestead tax relief programs. Beginning in 2006, the State eliminated the ten percent rollback credit on commercial and industrial real property and the reimbursement to local governments. Homestead and rollback revenue is based on the historical percentage relationship to real estate tax revenue adjusted for the loss of the ten percent rollback on commercial and industrial property.

Beginning in 2006, the State will reimburse the City for lost revenue due to the phase out of tangible personal property tax. In the first five years, the City will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by HB 66. Over the next seven years, the reimbursements are phased out. The reimbursement will be for the difference between the assessment values under prior law and the assessment values under HB 66. This means the City is only reimbursed for the difference between prior law and the phase-outs in HB 66.

Local government revenue is a share of six State-imposed taxes that is distributed to local governments. Beginning with distributions in the second half of 2005, the General Assembly froze distributions to local governments after reducing those distributions by about 20 percent. This forecast projects local government collections to remain at the same levels as 2005 after the reductions were in place.

The actual intergovernmental revenue for 2004 and 2005, and the estimated revenue for 2006 are as follows:

Intergovernmental Revenue	2004 Actual	2005 Actual	2006 Forecasted
Local Government	\$805,000	\$760,000	\$756,000
Estate Tax	173,000	173,000	81,000
Hotel Lodging Excise Tax	25,000	21,000	18,000
Alcoholic Beverages Tax	35,000	38,000	36,000
Cigarette Tax	1,000	1,000	1,000
Homestead and Rollback	252,000	252,000	168,000
Personal Property - \$10,000 Exemption	20,000	34,000	34,000
HB66 State TPP Reimbursement	0	0	186,000
State Grants	6,000	7,000	7,000
Total	\$1,317,000	\$1,286,000	\$1,287,000

City of Norwood, Ohio

Summary of Significant Accounting Policies and Assumptions  
For the Year Ending December 31, 2006

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**G. – Investment Income**

Estimated investment income for 2006 is projected to increase 37 percent over 2005 amounts. This is due to the City receiving the \$3,537,000 economic development loan repayment on Rookwood Commons. The City received this money in September, 2006 and plans to invest it until liabilities are paid off at the end of the year. This will give the City a larger investment income amount than in prior years. 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 cash balances.

**H. – Contributions and Donations**

Estimated contributions and donations for 2006 are projected at \$114,000. The estimate is based on the City receiving contributions from the Norwood City School District in the amount of \$39,000 for a School Resource Officer, \$25,000 for services provided by crossing guards, and \$50,000 from the Cornerstone Development. Contributions and donations were higher in 2005 due to the \$300,000 donation from an individual to purchase police radios and \$700,000 from the Cornerstone Development. The purpose of the Cornerstone Development contributions in 2005 and 2006 was for economic development and was transferred from the General Fund to the Development Impact Fund (Note 6F).

**I. – Other**

Other revenue increased dramatically for 2006 due to a \$3,537,000 economic development loan repayment on Rookwood Commons.

**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, health care benefits, life insurance, and workers' compensation. Nearly every City employee receives health care benefits. The City pays 100 percent of the premium for health insurance.

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. Their benefits closely parallel the negotiated agreements.

The forecasted personal service expenditures are based on ordinances and labor agreements between the City and its employees. City employees are compensated on a bi-weekly basis. There are 26 pay periods in 2006.



City of Norwood, Ohio

Summary of Significant Accounting Policies and Assumptions  
For the Year Ending December 31, 2006

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Agreements between the City and Labor Unions are as follows:

<u>Labor Agreement</u>	<u>Effective</u>
Local Union #445, International Association of Firefighters	January 1, 2004 - December 31, 2006
Police Division	January 1, 2006 - December 31, 2008
AFSCME Ohio Council 8, Local 3278, AFL-CIO	January 1, 2006 - December 31, 2008
E-911 Bargaining Unit	January 1, 2003 - December 31, 2005
AFSCME Ohio Council 8, Local 914, AFL-CIO	January 1, 2006 - December 31, 2008
Fire Chief (*)	January 1, 2001 - December 31, 2003
Police Chief (**)	January 1, 2001 - December 31, 2003

\* The Fire Chief's contract has expired. The Fire Chief abides by the labor agreement that has expired; however, the Fire Chief received a differential pay increase based on the assistant chief's pay for 2006.

\*\* The Police Chief's contract has expired. The Police Chief abides by the labor agreement that has expired.

The decrease in personal service expenditures for City Council of \$16,000 from \$78,000 in 2005 to \$62,000 in 2006 is due to the amount of Council members being reduced from nine members to seven members.

The majority of the estimated increase in personal service expenditures is due to the Division of Crime Control, Prevention and Investigation and the Division of Fire Fighting and Prevention. These two divisions represent approximately 80 percent of the personal service expenditures to be paid from the general fund for 2006. Although a portion of the increase is due to pay raises, most of the increase results from the payment of overdue contributions to the Ohio Police and Fire Pension Fund, discussed on page 17.

The Division of Crime Control, Prevention and Investigation received a four and seven percent increase for 2004 and 2005, respectively. The Police Division received step increases, if eligible, based on years of experience in 2006. No base increases were given in 2006. All employees in the Division of Fire Fighting and Prevention received a six percent wage increase on January 1, 2006, as well as step increase, if eligible based on years of experience. Employees that change positions received corresponding wage increases.

All remaining departments and divisions have received step increases based upon their labor agreements; no base increases were given in 2006. The City hired a part-time employee in the Earning Tax department in September of 2005, who is paid out of the general fund.

All full-time employees, other than non-administrative full-time police officers and fire fighters, 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. For 2004 and 2005, employees contributed 8.5 percent while the City contributed 13.55 percent. In 2006, the employees are required to contribute 9 percent of their annual-covered salary and the City contributes 13.70 percent of annual-covered salary. The estimated expenditure for OPERS is \$312,000 for 2006.

City of Norwood, Ohio

Summary of Significant Accounting Policies and Assumptions  
For the Year Ending December 31, 2006

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All full-time police officers and fire fighters 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 officers and fire fighters 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 fire fighters. The estimated expenditures for 2006 are \$1,790,000 and these contributions are paid when required.

2004 and 2005, the City did not pay the employer share of retirement contributions due to the Ohio Police and Fire Pension Fund in the amount of \$2,425,000, which includes estimated penalties and interest. The Ohio Police and Fire Pension Fund certified the amount to the County Auditor. Starting at the end of 2005 through 2006, the Hamilton County Auditor's office withheld the City's taxes and local government distributions and remitted the money to the Ohio Police and Fire Pension Fund. The total amount remitted by the County Auditor since 2005 is \$1,754,000. The City reached an agreement with Ohio Police and Fire Pension Fund whereby the pension system will waive penalties and interest in the amount of \$243,000 if the City pays by December 31, 2006, the remaining balance of \$727,000 plus the remaining liability from 1995. This will satisfy the amount owed for 2004 and 2005. Payments of the 1995 liability are accounted for in the Police and Fire Pension Repayment Fund which is not included in the forecast.

The City offers a Preferred Provider Organization (PPO) and a Health Maintenance Organization (HMO) health care plan to its employees through Anthem Blue Cross and Blue Shield. Both the PPO and the HMO offer a single plan and a family plan. The monthly premium for 2006 under the PPO plan for single and family plans are \$756 and \$1,729, respectively. The monthly premiums for 2006 under the HMO for single and family plans were \$339 and \$1,078, respectively. The premiums for both plans increased 8 percent from 2006. The City pays 100 percent of the monthly premium. The policies are effective through December 31, 2008. Total expenditures for 2006 for health care are estimated to be \$1,810,000.

The actual personal services by department/division for 2004 and 2005 and the estimated personal services for 2006 are as follows:

City of Norwood, Ohio

Summary of Significant Accounting Policies and Assumptions  
For the Year Ending December 31, 2006

Department/Division	2004 Actual	2005 Actual	2006 Forecasted
Council	\$93,000	\$93,000	\$75,000
Clerk of Council	36,000	28,000	28,000
Mayor	60,000	58,000	57,000
Clerk of Courts	71,000	66,000	71,000
Solicitor	151,000	167,000	166,000
Auditor	253,000	252,000	242,000
Treasurer	81,000	81,000	85,000
Earnings Tax	138,000	117,000	148,000
Civil Service	24,000	30,000	28,000
Service Director	88,000	86,000	88,000
Buildings	232,000	249,000	263,000
Garage	194,000	188,000	195,000
Public Land and Buildings	44,000	1,000	0
Police Administration	183,000	192,000	225,000
Crime Control, Prevention and Investigation	4,402,000	4,483,000	6,361,000
Auxiliary Police	160,000	134,000	152,000
Fire Administration	197,000	205,000	269,000
Fire Fighting and Prevention Section	4,776,000	5,102,000	7,860,000
Emergency Dispatchers	547,000	565,000	604,000
School Crossing Guards	45,000	44,000	50,000
Community Center	96,000	98,000	94,000
Parks and Playgrounds	240,000	225,000	268,000
Public Works	103,000	111,000	116,000
Health Administration	148,000	154,000	159,000
Health Medical Services	119,000	126,000	131,000
Environmental Health	123,000	131,000	138,000
Total	\$12,604,000	\$12,986,000	\$17,873,000

**B. – Contractual Services**

Contractual services are services provided by external sources to departments and divisions of the City. Most departments' contractual services expenditures are comparable to prior years. The most significant changes in contractual services expenditures occurred in Public Land and Buildings, Crime Control, Prevention and Investigation, Fire Fighting and Prevention Section, and Waste Collections.

The Division of Public Land and Buildings comprises about one-third of the City's contractual services in the general fund. The increase in the contractual services in Public Land and Buildings is due to the heating and air conditioner repairs to various buildings in the City. The projected increase in contractual services in Crime Control, Prevention and Investigation are due to computer server upgrades and the purchase of new computers and radios. The large increase in the Fire Fighting and Prevention Section is due to vehicle maintenance and repair. The activity of the Waste Collection Department is now accounted for in an enterprise fund, including the costs of contractual services previously paid from the general fund.

City of Norwood, Ohio

Summary of Significant Accounting Policies and Assumptions  
For the Year Ending December 31, 2006

The actual contractual services by department/division for 2004 and 2005 and the estimated contractual services for 2006 are as follows:

Department/Division	2004 Actual	2005 Actual	2006 Forecasted
Clerk of Council	\$15,000	\$11,000	\$10,000
Mayor	4,000	2,000	1,000
Clerk of Courts	24,000	30,000	27,000
Solicitor	9,000	10,000	8,000
Auditor	3,000	3,000	7,000
Treasurer	29,000	20,000	24,000
Earnings Tax	12,000	14,000	24,000
Civil Service	6,000	3,000	13,000
Service Director	3,000	2,000	3,000
Buildings	43,000	61,000	58,000
Garage	3,000	6,000	6,000
Public Land and Buildings	135,000	198,000	243,000
Prisoners Housed Outside of City	4,000	10,000	15,000
Police Administration	7,000	8,000	6,000
Crime Control, Prevention and Investigation	35,000	45,000	124,000
Fire Administration	5,000	9,000	9,000
Fire Fighting and Prevention Section	29,000	27,000	64,000
Emergency Dispatchers	26,000	39,000	35,000
Community Center	3,000	2,000	4,000
Parks and Playgrounds	6,000	4,000	3,000
Public Works	9,000	10,000	12,000
Health Administration	14,000	19,000	22,000
Health Medical Services	9,000	15,000	10,000
Environmental Health	1,000	1,000	1,000
Waste Collection	707,000	231,000	0
Total	\$1,141,000	\$780,000	\$729,000

**C. – Materials and Supplies**

The City does not anticipate any significant changes in expenditures for materials and supplies. Over 40 percent of the cost of materials and supplies is consumed by the Other Transportation department.

The increase in the Division of Crime Control, Prevention, and Investigation was due primarily to the purchase of gun racks, tasers and K-9 supplies. The decrease in the Fire Division was due primarily to the decrease in uniform purchases.

The actual materials and supplies by department/division for 2004 and 2005 and the estimated materials and supplies for 2006 are as follows:

City of Norwood, Ohio

Summary of Significant Accounting Policies and Assumptions  
For the Year Ending December 31, 2006

Department/Division	2004 Actual	2005 Actual	2006 Forecasted
Mayor	\$1,000	\$0	\$0
Clerk of Courts	2,000	1,000	2,000
Solicitor	0	0	1,000
Auditor	2,000	2,000	2,000
Treasurer	1,000	0	0
Earnings Tax	4,000	5,000	5,000
Other Transportation	80,000	144,000	143,000
Buildings	3,000	1,000	1,000
Garage	4,000	5,000	22,000
Public Land and Buildings	25,000	16,000	23,000
Police Administration	0	1,000	3,000
Crime Control, Prevention and Investigation	49,000	50,000	80,000
Auxiliary Police	0	0	1,000
Fire Administration	1,000	1,000	1,000
Fire Fighting and Prevention Section	18,000	47,000	9,000
Emergency Dispatchers	0	1,000	2,000
Community Center	5,000	3,000	3,000
Parks and Playgrounds	10,000	11,000	25,000
Public Works	1,000	2,000	3,000
Health Administration	1,000	1,000	1,000
Health Medical Services	5,000	2,000	1,000
Total	<u>\$212,000</u>	<u>\$293,000</u>	<u>\$328,000</u>

**D. – Other**

The largest portion of other expenditures for each department or division is for gas and electric services provided by Cinergy (CG&E). The increase in other expenditures is due to rate increases for gas and electric services. An increase of 30 percent is projected in 2006 for gas and electric services. These rate increases were confirmed by Cinergy.

The actual other expenditures by department/division for 2004 and 2005 and the estimated other expenditures for 2006 are as follows:

Department/Division	2004 Actual	2005 Actual	2006 Forecasted
Public Land and Buildings	\$119,000	\$169,000	\$215,000
Police Administration	6,000	7,000	11,000
Fire Administration	24,000	36,000	47,000
Community Center	16,000	34,000	47,000
Health Administration	8,000	11,000	15,000
Total	<u>\$173,000</u>	<u>\$257,000</u>	<u>\$335,000</u>

City of Norwood, Ohio

Summary of Significant Accounting Policies and Assumptions  
For the Year Ending December 31, 2006

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**E. – Nondepartmental Accounts**

Nondepartmental accounts are presented as they appear in the City's accounting and budgetary system. The most significant increase in expenditures in the nondepartmental accounts occurred in Insurance. The most significant decreases in expenditures in the nondepartmental accounts occurred in Wastewater Management and Earnings Tax Refund.

Dawson Companies provides insurance for the City. The City has insurance policies for auto, property, liability, and crime insurance. The insurance is effective annually on March 1. Premiums increased 3 percent from 2005 to 2006 while coverage increased due to the addition of new police cruisers and paramedic unit.

In 2004 and 2005, the City made payments to the Hamilton County Storm Water District on behalf of the City's residents. These payments were recorded under Government Services and Fees, Storm Water Management. In 2006, the City opted to have the Hamilton County Storm Water District assess a service fee to all resident of the city. The City will no longer pay the assessment for the residents.

Earnings tax refunds are forecasted to be significantly less in 2006 than 2005 because the City wrongly received income tax monies from withholdings that were for another city in 2005.

Judgments against the City and outside legal fees are also estimated to increase due to an increase in lawsuits against the City. Many of these lawsuits were pending as of December 31, 2005. Outside legal fees include attorney fees, arbitration estimates, and other miscellaneous expenses.

**F. – Other Financing Uses – Transfers Out**

The City annually provides operating transfers to several funds and matching contributions to grant programs. The City anticipates transfers out to the following funds:

*Recreation Commission Fund:* The general fund annually transfers resources to the recreation fund to subsidize the recreation programs to the extent that the various fees charged do not cover program expenditures. This transfer will continue through 2006.

*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 transfer in 2006 will pay the entire liability of \$798,000.

*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 at varying rates depending on hire date and years of service. The increase of \$110,000 from 2005 to 2006 is due to employees who have already filed left the City or employees that anticipate leave the City.

City of Norwood, Ohio

Summary of Significant Accounting Policies and Assumptions  
For the Year Ending December 31, 2006

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 expenditure necessary to maintain the Emergency Medical Services provided by the Norwood Fire Division. This transfer will continue through 2006.

Development Impact Fund: The general fund, by ordinance, transferred donations received and specified for the purpose of development within the City. The donations were \$700,000 and \$50,000, respectively, in 2005 and 2006

Debt Service Fund: Beginning in 2005, the City recorded that portion of property tax revenue pledged for the repayment of debt in the debt service fund rather than in the general fund. Prior to 2005, the resources were recorded in the general fund and transferred to the debt service fund.

Waste Collection Fund: The waste collection enterprise fund was created in 2005. The City subsidized the waste collection fund from January through April, 2005. After April, 2005, this fund was self supporting.

The actual transfers out for 2004 and 2005 and the estimated transfers out for 2006 are as follows:

Fund	2004 Actual	2005 Actual	2006 Forecasted
Recreation Commission	\$86,000	\$86,000	\$86,000
Police and Fire Pension Repayment	193,000	210,000	798,000
Separation	270,000	396,000	506,000
EMS	110,000	110,000	110,000
Development Impact	0	700,000	50,000
Debt Service	477,000	0	0
Fixed Assets	0	300,000	0
Other Grants	28,000	0	0
Waste Collection	0	185,000	0
Total	\$1,164,000	\$1,987,000	\$1,550,000

**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 40 percent less than 2005 per historical trends.

**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. Professional services and legal fees are addressed in detail in the nondepartmental account of this report.

City of Norwood, Ohio

Summary of Significant Accounting Policies and Assumptions  
For the Year Ending December 31, 2006

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**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 2006. 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 in Note 6.

**Note 10 – Fiscal Watch**

The City was declared in a state of fiscal watch on October 7, 2004 based on a forecasted deficit in the general fund of \$1,546,000 for the year ending December 31, 2004. The forecasted deficit exceeded one-twelfth for the general fund revenues for 2003 by \$176,000. Fiscal watch is in effect until the Auditor of State determines that the conditions prescribed in Section 118.022(A) no longer exist and cancels the watch, or until the Auditor of State determines that a state of fiscal emergency exists.





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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  
DECEMBER 8, 2006**