



Mary Taylor, CPA  
Auditor of State

**City of Norwood  
Hamilton County, Ohio**

**Financial Forecast  
For the Year Ending December 31, 2007**

**Local Government Services Section**

**City of Norwood**  
**Financial Forecast**  
**For the Year Ending December 31, 2007**

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# Mary Taylor, CPA

Auditor of State

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, 2007. 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, 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.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

March 29, 2007

City of Norwood, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2005 and 2006, Actual; and  
Ending December 31, 2007, Forecasted

General Fund

	2005 Actual	2006 Actual	2007 Forecasted
<b><u>Revenues</u></b>			
Municipal Income Tax	\$12,703,000	\$13,663,000	\$14,040,000
Property Taxes	2,304,000	2,447,000	2,307,000
Other Taxes	4,000	5,000	4,000
Charges for Services	509,000	500,000	515,000
Fines, Licenses and Permits	632,000	658,000	667,000
Intergovernmental	1,286,000	1,301,000	1,363,000
Investment Income	66,000	106,000	93,000
Contributions and Donations	1,082,000	129,000	65,000
Other	68,000	3,618,000	61,000
Total Revenues	<u>18,654,000</u>	<u>22,427,000</u>	<u>19,115,000</u>
<b><u>Expenditures</u></b>			
Current:			
General Government			
Council			
Personal Services	<u>93,000</u>	<u>75,000</u>	<u>75,000</u>
Clerk of Council			
Personal Services	28,000	29,000	31,000
Contractual Services	<u>11,000</u>	<u>7,000</u>	<u>8,000</u>
Total Clerk of Council	<u>39,000</u>	<u>36,000</u>	<u>39,000</u>
Mayor			
Personal Services	58,000	57,000	58,000
Contractual Services	<u>2,000</u>	<u>1,000</u>	<u>1,000</u>
Total Mayor	<u>60,000</u>	<u>58,000</u>	<u>59,000</u>
Clerk of Courts			
Personal Services	66,000	70,000	71,000
Contractual Services	30,000	26,000	26,000
Materials and Supplies	<u>1,000</u>	<u>2,000</u>	<u>2,000</u>
Total Clerk of Courts	<u>97,000</u>	<u>98,000</u>	<u>99,000</u>
Solicitor			
Personal Services	167,000	164,000	167,000
Contractual Services	<u>10,000</u>	<u>7,000</u>	<u>7,000</u>
Total Solicitor	<u>177,000</u>	<u>171,000</u>	<u>174,000</u>
Auditor			
Personal Services	252,000	239,000	251,000
Contractual Services	3,000	5,000	8,000
Materials and Supplies	<u>2,000</u>	<u>1,000</u>	<u>11,000</u>
Total Auditor	<u>\$257,000</u>	<u>\$245,000</u>	<u>\$270,000</u>

(continued)

City of Norwood, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2005 and 2006, Actual; and  
Ending December 31, 2007, Forecasted

General Fund  
(continued)

	2005 Actual	2006 Actual	2007 Forecasted
Treasurer			
Personal Services	\$81,000	\$84,000	\$82,000
Contractual Services	20,000	24,000	24,000
Total Treasurer	<u>101,000</u>	<u>108,000</u>	<u>106,000</u>
Earnings Tax			
Personal Services	117,000	147,000	188,000
Contractual Services	14,000	25,000	36,000
Materials and Supplies	5,000	4,000	1,000
Total Earnings Tax	<u>136,000</u>	<u>176,000</u>	<u>225,000</u>
Civil Service			
Personal Services	30,000	27,000	28,000
Contractual Services	3,000	5,000	10,000
Total Civil Service	<u>33,000</u>	<u>32,000</u>	<u>38,000</u>
Service Director			
Personal Services	86,000	87,000	89,000
Contractual Services	2,000	2,000	2,000
Total Service Director	<u>88,000</u>	<u>89,000</u>	<u>91,000</u>
Other Transportation Costs			
Materials and Supplies	<u>144,000</u>	<u>143,000</u>	<u>143,000</u>
Buildings			
Personal Services	249,000	259,000	266,000
Contractual Services	61,000	50,000	51,000
Materials and Supplies	1,000	2,000	1,000
Total Buildings	<u>311,000</u>	<u>311,000</u>	<u>318,000</u>
Garage			
Personal Services	188,000	192,000	214,000
Contractual Services	6,000	5,000	5,000
Materials and Supplies	5,000	18,000	18,000
Total Garage	<u>199,000</u>	<u>215,000</u>	<u>237,000</u>
Public Land and Buildings			
Personal Services	1,000	0	0
Contractual Services	198,000	204,000	216,000
Materials and Supplies	16,000	21,000	21,000
Other	169,000	146,000	189,000
Total Public Land and Buildings	<u>384,000</u>	<u>371,000</u>	<u>426,000</u>
Total General Government	<u>\$2,119,000</u>	<u>\$2,128,000</u>	<u>\$2,300,000</u>

(continued)

City of Norwood, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2005 and 2006, Actual; and  
Ending December 31, 2007, Forecasted

General Fund  
(continued)

	2005 Actual	2006 Actual	2007 Forecasted
Public Safety			
Prisoners Housed Outside of the City			
Contractual Services	\$10,000	\$13,000	\$14,000
Police Administration			
Personal Services	192,000	228,000	235,000
Contractual Services	8,000	5,000	5,000
Materials and Supplies	1,000	2,000	1,000
Other	7,000	5,000	9,000
Total Police Administration	<u>208,000</u>	<u>240,000</u>	<u>250,000</u>
Crime Control, Prevention and Investigation			
Personal Services	4,483,000	6,248,000	5,376,000
Contractual Services	45,000	81,000	42,000
Materials and Supplies	50,000	53,000	62,000
Total Crime Control, Prevention and Investigation	<u>4,578,000</u>	<u>6,382,000</u>	<u>5,480,000</u>
Auxiliary Police			
Personal Services	134,000	149,000	132,000
Fire Administration			
Personal Services	205,000	264,000	256,000
Contractual Services	9,000	8,000	8,000
Materials and Supplies	1,000	1,000	1,000
Other	36,000	32,000	42,000
Total Fire Administration	<u>251,000</u>	<u>305,000</u>	<u>307,000</u>
Fire Fighting and Prevention Section			
Personal Services	5,102,000	7,631,000	6,263,000
Contractual Services	27,000	37,000	44,000
Materials and Supplies	47,000	6,000	7,000
Total Fire Fighting and Prevention Section	<u>5,176,000</u>	<u>7,674,000</u>	<u>6,314,000</u>
Emergency Dispatchers			
Personal Services	565,000	586,000	581,000
Contractual Services	39,000	30,000	29,000
Materials and Supplies	1,000	2,000	2,000
Total Emergency Dispatchers	<u>605,000</u>	<u>618,000</u>	<u>612,000</u>
School Crossing Guards			
Personal Services	44,000	44,000	44,000
Total Public Safety	<u>\$11,006,000</u>	<u>\$15,425,000</u>	<u>\$13,153,000</u>

(continued)

City of Norwood, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2005 and 2006, Actual; and  
Ending December 31, 2007, Forecasted

General Fund  
(continued)

	2005 Actual	2006 Actual	2007 Forecasted
Community Environment			
Community Center			
Personal Services	\$98,000	\$91,000	\$91,000
Contractual Services	2,000	3,000	3,000
Materials and Supplies	3,000	2,000	2,000
Other	34,000	29,000	40,000
Total Community Center	<u>137,000</u>	<u>125,000</u>	<u>136,000</u>
Parks and Playgrounds			
Personal Services	225,000	264,000	323,000
Contractual Services	4,000	2,000	2,000
Materials and Supplies	11,000	16,000	18,000
Total Parks and Playgrounds	<u>240,000</u>	<u>282,000</u>	<u>343,000</u>
Total Community Environment	<u>377,000</u>	<u>407,000</u>	<u>479,000</u>
Highways and Streets			
Public Works			
Personal Services	111,000	114,000	115,000
Contractual Services	10,000	11,000	12,000
Materials and Supplies	2,000	2,000	3,000
Total Public Works	<u>123,000</u>	<u>127,000</u>	<u>130,000</u>
Public Health			
Health Administration			
Personal Services	154,000	156,000	155,000
Contractual Services	19,000	19,000	22,000
Materials and Supplies	1,000	2,000	1,000
Other	11,000	10,000	13,000
Total Health Administration	<u>185,000</u>	<u>187,000</u>	<u>191,000</u>
Health Medical Services			
Personal Services	126,000	129,000	131,000
Contractual Services	15,000	11,000	10,000
Materials and Supplies	2,000	1,000	1,000
Total Health Medical Services	<u>143,000</u>	<u>141,000</u>	<u>142,000</u>
Environmental Health			
Personal Services	131,000	136,000	136,000
Contractual Services	1,000	1,000	1,000
Total Environmental Health	<u>132,000</u>	<u>137,000</u>	<u>137,000</u>
Total Public Health	<u>\$460,000</u>	<u>\$465,000</u>	<u>\$470,000</u>

(continued)

City of Norwood, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2005 and 2006, Actual; and  
Ending December 31, 2007, Forecasted

General Fund  
(continued)

	2005 Actual	2006 Actual	2007 Forecasted
Waste Removal			
Waste Collection			
Contractual Services	231,000	0	0
Debt Service			
Principal	0	0	71,000
Interest and Fiscal Charges	0	0	2,000
Total Debt Service	0	0	73,000
<b><u>Nondepartmental Accounts</u></b>			
Employee Benefits			
Police and Fire Accrued Liability	150,000	150,000	151,000
Retirees Health Care	447,000	436,000	445,000
C-9 Trust	300,000	300,000	325,000
DRETAC	4,000	5,000	5,000
COBRA	4,000	0	0
Workers' Compensation			
Claims and Hearings	9,000	20,000	16,000
Government Services and Fees			
Storm Water Management	56,000	0	0
State Examiner's Fees	6,000	16,000	35,000
County Auditor and Treasurer Fees	42,000	42,000	42,000
Election Expense	19,000	6,000	6,000
Advertisement of Delinquent Taxes	1,000	0	1,000
Professional Services and Legal Fees			
Judgments Against the City	1,000	7,000	7,000
Outside Legal Fees	52,000	52,000	52,000
Miscellaneous Accounts			
Real Estate Tax (County)	19,000	23,000	23,000
Earnings Tax Refunds	303,000	131,000	200,000
Insurance	362,000	377,000	282,000
Random Drug Testing	7,000	8,000	9,000
Total Nondepartmental Accounts	1,782,000	1,573,000	1,599,000
Total Expenditures	16,098,000	20,125,000	18,204,000
Excess of Revenues Over Expenditures	\$2,556,000	\$2,302,000	\$911,000

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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, 2005 and 2006, Actual; and  
Ending December 31, 2007, Forecasted

General Fund  
(continued)

	<u>2005</u> Actual	<u>2006</u> Actual	<u>2007</u> Forecasted
<b><u>Other Financing Uses</u></b>			
Operating Transfers-Out	<u>(\$1,987,000)</u>	<u>(\$1,540,000)</u>	<u>(\$1,509,000)</u>
Excess of Revenues Over (Under) Expenditures and Other Financing Uses	569,000	762,000	(598,000)
Cash Balance, January 1	<u>377,000</u>	<u>946,000</u>	<u>1,708,000</u>
Cash Balance, December 31	946,000	1,708,000	1,110,000
Encumbrances at December 31	<u>186,000</u>	<u>290,000</u>	<u>290,000</u>
Unencumbered Fund Balance , December 31	<u><u>\$760,000</u></u>	<u><u>\$1,418,000</u></u>	<u><u>\$820,000</u></u>

See Summary of Significant Assumptions and Accounting Policies.  
See Accountant's Report

City of Norwood, Ohio

Financial Forecast  
For the Year Ending December 31, 2007

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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 officers' judgment of the expected conditions and its expected course of action as of March 29, 2007, 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 revenues and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligations are 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

Financial Forecast  
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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 is department and major object such as personal services, contractual services, materials and supplies, and other. Nondepartmental accounts are presented separately. This is the format used to present these accounts in the City's modified cash basis annual 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 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

Financial Forecast  
For the Year Ending December 31, 2007

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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**

**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 increase in municipal income tax in 2006 was mainly due to increased withholdings from Cincinnati Bell and the addition of three new companies in the Cornerstone Development area of the City.

In 2007, the City is initiating mandatory filing. The City does not anticipate a significant increase in collections from mandatory filing since the large majority of income tax is received from withholdings.

Phase I construction of the Linden Pointe project, a business and professional community, is anticipated to be completed during 2007. The completion of this project will allow for employment of 400 people between office and retail jobs, which will increase income tax from withholdings.

The four largest employers in the City that withhold income tax are from the following industries: telephone/internet service, medical billing, electric motor, and card game. These industries are anticipated to remain stable through the forecast period.

City of Norwood, Ohio

Financial Forecast  
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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 of 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 in the county, 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 2007 represents collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are 2007 taxes.

2006 real property taxes are levied after October 1, 2006 on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

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. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 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 increased assessed valuations and real estate property taxes collected in 2006.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes to be received in calendar year 2007 were levied after October 1, 2006, on the value as of December 31, 2006. 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 tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due 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.

Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, HB 66 switched telephone companies from being public utilities to general business taxpayers and phased out the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after 2010 on local and inter-exchange telephone companies. The State of Ohio reimburses the City for the loss of tangible personal property taxes as a result of these changes within certain limitations.

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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 increased real property taxes collected against commercial and industrial real property and decreased intergovernmental revenue.

The estimated amount of property taxes was provided by the County Auditor's Office.

The actual property taxes for 2005 and 2006, and the estimated property tax revenue for 2007 are as follows:

<u>Property Taxes</u>	<u>2005 Actual</u>	<u>2006 Actual</u>	<u>2007 Forecasted</u>
Real and Public Utility			
Property Taxes	\$ 1,629,000	\$ 1,968,000	\$ 1,988,000
Tangible Personal			
Property Taxes	<u>675,000</u>	<u>479,000</u>	<u>319,000</u>
Total	<u>\$ 2,304,000</u>	<u>\$ 2,447,000</u>	<u>\$ 2,307,000</u>

**C. – Charges for Services**

Charges for services consists of false alarm fees, special police service fees, special fire service fees, emergency medical service 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 increase due to an approximate 2.5 percent rate increase in emergency medical service fees. The City only charges residents who have health insurance for EMS runs. Residents of Norwood that do not have health insurance are not billed for EMS runs.

**D. – Fines, Licenses and Permits**

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

**E. – Intergovernmental Revenue**

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

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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.

The State exempts the first \$10,000 in tangible personal property from taxation. The State reimburses the City for the lost revenue. Beginning with tax year 2004, the State began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period has been accelerated. The last reimbursement for this exemption will be in October 2008.

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 House Bill 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 House Bill 66. This means the City is only reimbursed for the difference between prior law and the phase-outs in House Bill 66.

Section 503.12(B) of House Bill 66 established a Task Force to study potential sources of State funding for the local government and the local government revenue assistance programs that have the capacity for growth and stability in the funding levels and that considers the changes to the Ohio tax code. In December 2006, the Task Force submitted a report to the Governor and to the General Assembly setting forth its recommendations. The report recommends replacing the percentage-of-tax methodology with a percentage of tax receipts formula. In general, the formula proposes that the three local government funds at the State level receive a percentage of the general revenue fund tax receipts in total collected by the State. The recommendation has been included in the State Budget bill for fiscal years 2008 and 2009 that is before the House of Representatives. The outcome of deliberations by the General Assembly on the proposed change to the local government programs is unknown. The forecast assumes the continuation of the local government and the local government revenue assistance programs. The 2007 revenue is based on the amounts being received to date and estimates from the county auditor.

The actual intergovernmental revenue for 2005 and 2006, and the estimated revenue for 2007 are as follows:

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Intergovernmental Revenue	2005 Actual	2006 Actual	2007 Forecasted
Local Government	\$760,000	\$765,000	\$770,000
Estate Tax	173,000	81,000	50,000
County Lodging Excise Tax	21,000	18,000	18,000
Alcoholic Beverages Tax	38,000	37,000	38,000
Cigarette Tax	1,000	0	0
Homestead and Rollback	252,000	168,000	113,000
Personal Property -			
\$10,000 Exemption	34,000	34,000	31,000
HB66 State TPP Reimbursement	0	191,000	336,000
State Grants	7,000	7,000	7,000
Total	\$1,286,000	\$1,301,000	\$1,363,000

**F. – Investment Income**

Estimated investment income for 2007 is projected to decrease 12 percent over 2006 amounts. This is due to the City’s fund balances decreasing from the payment of outstanding obligations for the employer’s pension contributions. The City received and invested \$3,537,000 from an economic development loan on the Rookwood Commons until it paid off liabilities at the end of 2006.

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 those funds required by state statute with the balance going to the General Fund.

**G. – Contributions and Donations**

Estimated contributions and donations for 2007 are \$65,000. The estimate is based on the City receiving contributions from the Norwood City School District in the amount of \$40,000 for a school resource officer and \$25,000 for services provided by crossing guards. Contributions and donations were higher in 2006 due to the contribution from the Cornerstone Development for economic development in the amount of \$50,000. In 2005, contribution and donations were higher due to the \$300,000 donation from an individual to purchase police radios and \$700,000 from Cornerstone Development for economic development.

**H. – Other**

In 2006, Rockwood Commons repaid an economic development loan in the amount of \$3,537,000. There are no other outstanding economic development loans.



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**Note 6 - Significant Assumptions for Expenditures and Other Financing Uses**

**A. – Personal Services**

Personal services expenditures include the salaries and wages paid to elected officials and City employees, health care benefits, life insurance, medicare, retirement 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.

Agreements between the City and Labor Unions are as follows:

<u>Labor Agreement</u>	<u>Effective</u>
Local Union #445, International Association of Firefighters Police Division	January 1, 2007 - December 31, 2008 January 1, 2006 - December 31, 2008
AFSCME Ohio Council 8, Local 3278, AFL-CIO E-911 Bargaining Unit	January 1, 2006 - December 31, 2008 January 1, 2003 - December 31, 2005
AFSCME Ohio Council 8, Local 914, AFL-CIO Fire Chief (*)	January 1, 2006 - December 31, 2008 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 2007.

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

The majority of the estimated decrease in personal service expenditures is due to the Division of Crime Control, Prevention and Investigation and the Division of Fire Fighting and Prevention Section. These two divisions represent approximately 75 percent of the personal service expenditures to be paid from the general fund for 2007. In 2006, the City not only paid current year retirement contributions to Ohio Police and Fire Pension Funds but also the 2004 and 2005 employer's share of overdue retirement contributions to Ohio Police and Fire Pension Fund. In 2006, the Division of Crime Control, Prevention and Investigation and the Division of Fire Fighting and Prevention Section paid \$1,107,000 and \$1,547,000, respectively, for the overdue retirement contributions. Only current year retirement contributions will be due to Ohio Police and Fire Pension Fund for 2007.

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The Division of Crime Control, Prevention and Investigation received a two percent wage increase on January 1, 2007, as well as a step increase for eligible employees based on years of experience. The Division of Fire Fighting and Prevention Section received no base increase, but step increases, if eligible, based on years of experience in 2007 will be received. Employees that change positions received corresponding wage increases.

All remaining departments and divisions have received step increases based upon their labor agreements; two percent base increases were given in 2007. The City will hire two part-time employees in the Earnings Tax department and one full-time employee in the Parks and Playgrounds department. These employees will be 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). 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 2006, employees contributed 9.0 percent while the City contributed 13.7 percent. In 2007, the employees are required to contribute 9.5 percent of their annual-covered salary and the City contributes 13.85 percent of annual-covered salary. The estimated expenditure for OPERS is \$350,000 for 2007.

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 2007 are \$1,027,000.

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 premiums for 2007 under the PPO plan for single and family plans are \$777 and \$1,776, respectively. The monthly premiums for 2007 under the HMO for single and family plans are \$324 and \$1,031, respectively. The premiums for the PPO plan have increased three percent from 2006; however, the premiums for the HMO plan have decreased four percent from 2006. The City pays 100 percent of the monthly premium. The policies are effective through December 31, 2008. Total expenditures for 2007 for health care are estimated to be \$1,630,000.

In 2007, the City was allowed to enter a group discount plan for Workers' Compensation through Matrix Claims Management Company due to the reduction of workers' compensation claims against the City. The group discount for 2007 was 25 percent which is an approximate savings of \$58,000.

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The actual personal services by department/division for 2005 and 2006 and the estimated personal services for 2007 are as follows:

Department/Division	2005 Actual	2006 Actual	2007 Forecasted
Council	\$93,000	\$75,000	\$75,000
Clerk of Council	28,000	29,000	31,000
Mayor	58,000	57,000	58,000
Clerk of Courts	66,000	70,000	71,000
Solicitor	167,000	164,000	167,000
Auditor	252,000	239,000	251,000
Treasurer	81,000	84,000	82,000
Earnings Tax	117,000	147,000	188,000
Civil Service	30,000	27,000	28,000
Service Director	86,000	87,000	89,000
Buildings	249,000	259,000	266,000
Garage	188,000	192,000	214,000
Public Land and Buildings	1,000	0	0
Police Administration	192,000	228,000	235,000
Crime Control, Prevention and Investigation	4,483,000	6,248,000	5,376,000
Auxiliary Police	134,000	149,000	132,000
Fire Administration	205,000	264,000	256,000
Fire Fighting and Prevention Section	5,102,000	7,631,000	6,263,000
Emergency Dispatchers	565,000	586,000	581,000
School Crossing Guards	44,000	44,000	44,000
Community Center	98,000	91,000	91,000
Parks and Playgrounds	225,000	264,000	323,000
Public Works	111,000	114,000	115,000
Health Administration	154,000	156,000	155,000
Health Medical Services	126,000	129,000	131,000
Environmental Health	131,000	136,000	136,000
Total	<u>\$12,986,000</u>	<u>\$17,470,000</u>	<u>\$15,358,000</u>

**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 Earnings Tax, Public Land and Buildings, and Crime Control, Prevention and Investigation.

The projected increase in contractual services in Earnings Tax is due contracted services of people for the increase in work load due to the mandatory filling requirement implemented in 2007. The Division of Public Land and Buildings comprises over 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 purchase of a replacement door for the City Garage and a camera system for the Public Works department. Contractual services in Crime Control, Prevention and Investigation for 2007 projects a large decrease. In 2006,

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Crime Control, Prevention and Investigation had computer server upgrades and purchased new computers and radios. 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.

The actual contractual services by department/division for 2005 and 2006 and the estimated contractual services for 2007 are as follows:

Department/Division	2005 Actual	2006 Actual	2007 Forecasted
Clerk of Council	\$11,000	\$7,000	\$8,000
Mayor	2,000	1,000	1,000
Clerk of Courts	30,000	26,000	26,000
Solicitor	10,000	7,000	7,000
Auditor	3,000	5,000	8,000
Treasurer	20,000	24,000	24,000
Earnings Tax	14,000	25,000	36,000
Civil Service	3,000	5,000	10,000
Service Director	2,000	2,000	2,000
Buildings	61,000	50,000	51,000
Garage	6,000	5,000	5,000
Public Land and Buildings	198,000	204,000	216,000
Prisoners Housed Outside of City	10,000	13,000	14,000
Police Administration	8,000	5,000	5,000
Crime Control, Prevention and Investigation	45,000	81,000	42,000
Fire Administration	9,000	8,000	8,000
Fire Fighting and Prevention Section	27,000	37,000	44,000
Emergency Dispatchers	39,000	30,000	29,000
Community Center	2,000	3,000	3,000
Parks and Playgrounds	4,000	2,000	2,000
Public Works	10,000	11,000	12,000
Health Administration	19,000	19,000	22,000
Health Medical Services	15,000	11,000	10,000
Environmental Health	1,000	1,000	1,000
Waste Collection	231,000	0	0
Total	\$780,000	\$582,000	\$586,000

**C. – Materials and Supplies**

The City does not anticipate any significant changes in expenditures for materials and supplies. Over 48 percent of the cost of materials and supplies is consumed by the Other Transportation department. This department has all General Fund department consumption of fuel for vehicles. The increase in the Division of Crime Control, Prevention, and Investigation is due primarily to the purchase of gun racks, tasers and K-9 supplies. The increase in the Auditor is due primarily to the purchase of a printer and a server. From 2005 to 2006, the Fire Fighting and Prevention Section decreased due to a decrease in uniform purchases.

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The actual materials and supplies by department/division for 2005 and 2006 and the estimated materials and supplies for 2007 are as follows:

Department/Division	2005 Actual	2006 Actual	2007 Forecasted
Clerk of Courts	\$1,000	\$2,000	\$2,000
Auditor	2,000	1,000	11,000
Earnings Tax	5,000	4,000	1,000
Other Transportation	144,000	143,000	143,000
Buildings	1,000	2,000	1,000
Garage	5,000	18,000	18,000
Public Land and Buildings	16,000	21,000	21,000
Police Administration	1,000	2,000	1,000
Crime Control, Prevention and Investigation	50,000	53,000	62,000
Fire Administration	1,000	1,000	1,000
Fire Fighting and Prevention Section	47,000	6,000	7,000
Emergency Dispatchers	1,000	2,000	2,000
Community Center	3,000	2,000	2,000
Parks and Playgrounds	11,000	16,000	18,000
Public Works	2,000	2,000	3,000
Health Administration	1,000	2,000	1,000
Health Medical Services	2,000	1,000	1,000
Total	\$293,000	\$278,000	\$295,000

**D. – Other**

The largest portion of other expenditures for each department or division is for natural 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 2007 for gas and electric services. These rate increases were confirmed by Cinergy.

The actual other expenditures by department/division for 2005 and 2006 and the estimated other expenditures for 2007 are as follows:

Department/Division	2005 Actual	2006 Actual	2007 Forecasted
Public Land and Buildings	\$169,000	\$146,000	\$189,000
Police Administration	7,000	5,000	9,000
Fire Administration	36,000	32,000	42,000
Community Center	34,000	29,000	40,000
Health Administration	11,000	10,000	13,000
Total	\$257,000	\$222,000	\$293,000

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**E. – Debt Service**

The general fund makes debt service payments for the lease purchase of new police cruisers. The City leased three police cruisers in 2005. The last payment was budgeted to be made from the General Fund while payments for 2005 and 2006 were from the Federal Forfeited Property Fund. In 2007, the City approved the lease of three more cruisers over three years to be paid out of the General Fund.

**F. – Nondepartmental Accounts**

The largest expenditures for nondepartmental accounts are Retirees Health Care and C-9 Trust.

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.

The most significant increases in expenditures in the nondepartmental accounts occurred in State Examiner's Fees and Earnings Tax Refunds. The most significant decrease in expenditures in the nondepartmental accounts occurred in Insurance.

State Examiner's Fees are forecasted for the amount of the Letter of Arrangement with the State Auditor's Office for the 2004 and 2005 modified cash report audit. The 2006 expenditures were for the completion of the 2003 modified cash report audit.

Earnings Tax refunds are forecasted to be significantly more in 2007 than 2006 because the City applied more credits in 2006 instead of issuing refund checks.

Insurance for auto, property, liability, and crime insurance decreased by \$95,000 from 2006 to 2007 because the City was able to participate in the Ohio Municipal Joint-Self Insurance Pool for 2007.

**G. – 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 commission fund to subsidize the recreation programs to the extent that the various fees charged do not cover program expenditures. This transfer will continue through 2007 at \$86,000.

City of Norwood, Ohio

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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 paid the entire liability of \$768,000.

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 per the union contracts. The decrease of \$34,000 from 2006 to 2007 is due to seven less employees receiving separation pay in 2007.

Emergency Medical Services (EMS) Fund: The general fund 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 2007.

Development Impact Fund: In 2005 and 2006, the general fund transferred donations received and specified for the purpose of development within the City. No donations were anticipated for 2007.

Montgomery, Carthage, and Norwood Realignment Fund: In 2007, the City, through the Ohio Department of Transportation, will begin a realignment construction project within the City. The City portion for the project is anticipated to be \$841,000 which will come from the General 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 2005 and 2006 and the estimated transfers out for 2007 are as follows:

Transfer To	2005 Actual	2006 Actual	2007 Forecasted
Recreation Commission	\$86,000	\$86,000	\$86,000
Police and Fire Pension Repayment	210,000	768,000	0
Separation	396,000	506,000	472,000
EMS	110,000	110,000	110,000
Development Impact	700,000	50,000	0
Fixed Assets	300,000	20,000	0
Montgomery, Carthage, and Norwood Realignment	0	0	841,000
Waste Collection	185,000	0	0
Total	\$1,987,000	\$1,540,000	\$1,509,000

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**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 remain constant in 2007.

**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.

**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 2007. 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 of 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.





**Mary Taylor, CPA**  
Auditor of State

**CITY OF NORWOOD**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 25, 2007**