



CITY OF NORWOOD, OHIO

REGULAR AUDIT

For the Year Ended December 31, 2016

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Norwood, Hamilton County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 2, 2017

This Page Left Intentionally Blank

CITY OF NORWOOD
HAMILTON COUNTY, OHIO
Table of Contents
For the Year Ended December 31, 2016

Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
<u>Government-wide Financial Statements:</u>	
Statement of Net Position.....	15
Statement of Activities.....	16
<u>Fund Financial Statements:</u>	
Balance Sheet - Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis) General Fund.....	22
Statement of Fund Net Position - Enterprise Funds	23
Statement of Revenues, Expenses and Changes in Net Position - Enterprise Funds.....	24
Statement of Cash Flows - Enterprise Funds.....	25
Statement of Fiduciary Assets and Liabilities - Agency Fund.....	26
Statement of Changes in Fiduciary Net Position.....	27
Notes to the Basic Financial Statements	28
Required Supplemental Schedules:	
Schedule of the City's Proportionate Share of the Net Pension Liability OPERS – Traditional Plan – Last Three Fiscal Years	75
Ohio Police and Fire Pension Fund – Last Three Fiscal Years	76

CITY OF NORWOOD
HAMILTON COUNTY, OHIO
Table of Contents
For the Year Ended December 31, 2015

Schedule of City Contributions	
OPERS – Traditional Plan – Last Four Fiscal Years	77
Ohio Police and Fire Pension Fund – Last Ten Fiscal Years.....	78

Audit Report:

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	80
Schedule of Findings	82
Schedule of Prior Audit Findings	84

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Norwood, Hamilton County, Ohio, (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwood, Hamilton County as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 24, based on an analysis performed by the Auditor of State's Local Government Services section, the City was placed in fiscal emergency on October 6, 2016 and remains in fiscal emergency today. As discussed in Note 20 to the financial statements, the City's General Fund has a negative fund balance. The General Fund experienced a fund balance deficit at December 31, 2016 of (\$1,630,038). The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2017 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.

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

June 26, 2017

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2016
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Norwood's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2016 are as follows:

- The City's total governmental activities' net position decreased \$1,751,710 from 2015. Business-type activities net position decreased \$38,924 from 2015.
- For governmental activities, general revenues accounted for \$25,724,602 of all revenues. Program revenues in the form of charges for services, operating and capital grants, contributions and interest accounted for \$3,017,314 of total revenues of \$28,741,916.
- The City had \$30,493,626 in expenses related to governmental activities; only \$3,017,314 of these expenses was offset by program specific revenues. General revenues (primarily property and municipal income taxes) were \$25,724,602 but were not sufficient to cover governmental expenses.
- Enterprise funds reflected a total operating loss of (\$38,924). The Water and Refuse funds reflected operating loss and income of (\$101,773) and \$62,849, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

Report Components

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

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

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2016
Unaudited

Basis of Accounting

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

REPORTING THE CITY AS A WHOLE

Statement of Net Position and the Statement of Activities

The analysis of the City as a whole begins with the Statement of Net Position and the Statement of Activities. These statements provide information that will help the reader to determine if the City of Norwood is financially better off or worse off as a result of the year's activities. These statements include all assets, deferred outflows or resources, liabilities and deferred inflows of resources using the accrual basis of accounting which is similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

- Governmental Activities – Most of the City's services are reported here including police, fire, street maintenance, parks and recreation, and general administration. Income taxes, property taxes, building permits and interest finance most of these activities.
- Business-Type Activities – This activity includes the City's water fund and refuse fund. Service fees for these operations are charged based on the amount usage or a usage fee. The intent is that the fees charged recoup operational costs.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2016
Unaudited

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

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

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2016
Unaudited

THE CITY AS A WHOLE

Table 1 provides a summary of the City's net position for 2016 compared to 2015:

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current & Other Assets	\$15,792,434	\$15,145,664	\$2,251,453	\$2,269,700	\$18,043,887	\$17,415,364
Nondepr. Capital Assets	12,906,146	12,906,146	0	0	12,906,146	12,906,146
Depr. Capital Assets, Net	13,326,908	13,248,143	1,826,363	1,882,127	15,153,271	15,130,270
Total Assets	42,025,488	41,299,953	4,077,816	4,151,827	46,103,304	45,451,780
Deferred Outflows of Resources:						
Pension	10,084,360	2,667,022	261,258	83,004	10,345,618	2,750,026
Liabilities:						
Current & Other Liabilities	4,595,336	4,326,795	651,899	718,946	5,247,235	5,045,741
Long-Term Liabilities						
Due Within One Year	2,085,193	1,842,794	46,101	41,452	2,131,294	1,884,246
Due in More Than One Year:						
Net Pension Liability	32,182,908	22,714,600	677,358	461,873	32,860,266	23,176,473
Other Amounts	49,919,018	50,582,330	479,599	494,483	50,398,617	51,076,813
Total Liabilities	88,782,455	79,466,519	1,854,957	1,716,754	90,637,412	81,183,273
Deferred Inflows of Resources:						
Property Taxes Not Levied	2,627,568	4,361,231	0	0	2,627,568	4,361,231
Payments in Lieu of Taxes	5,146,212	2,940,396	0	0	5,146,212	2,940,396
Pension	149,094	42,600	13,088	8,114	162,182	50,714
Total Deferred Inflows of Resources	7,922,874	7,344,227	13,088	8,114	7,935,962	7,352,341
Net Position:						
Net Invested in Capital Assets,	13,140,379	13,290,780	1,393,619	1,431,720	14,533,998	14,722,500
Restricted	2,978,040	2,249,395	0	0	2,978,040	2,249,395
Unrestricted (Deficit)	(60,713,900)	(58,383,946)	1,077,420	1,078,243	(59,636,480)	(57,305,703)
Total Net Position	(\$44,595,481)	(\$42,843,771)	\$2,471,039	\$2,509,963	(\$42,124,442)	(\$40,333,808)

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2016
Unaudited

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

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

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

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

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

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2016
Unaudited

As mentioned previously, the net position of governmental activities decreased \$1,751,708 during 2016. Although there was an increase in revenue, the overall expenses for 2016 increased from 2015.

Table 2 shows the changes in net position for the years ended December 31, 2016 and 2015.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services and Sales	\$1,338,383	\$1,611,078	\$5,690,477	\$5,948,260	\$7,028,860	\$7,559,338
Operating Grants, Contributions and Interest	1,678,931	1,463,999	0	0	1,678,931	1,463,999
Capital Grants, Contributions and Interest	0	1,150,943	0	0	0	1,150,943
Total Program Revenues	3,017,314	4,226,020	5,690,477	5,948,260	8,707,791	10,174,280
General Revenues:						
Property Taxes	2,598,310	2,672,714	0	0	2,598,310	2,672,714
Income Taxes	16,388,545	14,223,414	0	0	16,388,545	14,223,414
Other Local Taxes	242,126	174,494	0	0	242,126	174,494
Payments in Lieu of Taxes	4,465,474	2,317,446	0	0	4,465,474	2,317,446
Grants and Entitlements Not Restricted to Specific Programs	1,981,508	967,262	0	0	1,981,508	967,262
Unrestricted Contributions	737	300	0	0	737	300
Interest	318	40,070	0	0	318	40,070
Other	47,584	47,392	0	0	47,584	47,392
Total General Revenues	25,724,602	20,443,092	0	0	25,724,602	20,443,092
Total Revenues	28,741,916	24,669,112	5,690,477	5,948,260	34,432,393	30,617,372
Program Expenses:						
General Government	4,194,422	3,918,248	0	0	4,194,422	3,918,248
Security of Persons and Property:						
Police	8,331,201	7,016,085	0	0	8,331,201	7,016,085
Fire	10,147,048	8,741,916	0	0	10,147,048	8,741,916
Public Services	37,763	8,750	0	0	37,763	8,750
Public Health Services	920,516	911,229	0	0	920,516	911,229
Leisure Time Services	405,068	440,699	0	0	405,068	440,699
Community and Economic Development	2,708	14,316,530	0	0	2,708	14,316,530
Transportation	1,064,328	1,616,471	0	0	1,064,328	1,616,471
Intergovernmental	2,024,220	1,104,262	0	0	2,024,220	1,104,262
Interest and Fiscal Charges	3,366,352	2,881,726	0	0	3,366,352	2,881,726
Water	0	0	4,289,633	3,853,549	4,289,633	3,853,549
Refuse	0	0	1,439,768	1,355,184	1,439,768	1,355,184
Total Expenses	30,493,626	40,955,916	5,729,401	5,208,733	36,223,027	46,164,649
Change in Net Position	(1,751,710)	(16,286,804)	(38,924)	739,527	(1,790,634)	(15,547,277)
Net Position at Beginning of Year	(42,843,771)	(26,556,967)	2,509,963	1,770,436	(40,333,808)	(24,786,531)
Net Position at End of Year	(\$44,595,481)	(\$42,843,771)	\$2,471,039	\$2,509,963	(\$42,124,442)	(\$40,333,808)

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2016
Unaudited

Governmental program revenues represent only 10 percent of total governmental activities revenue and are primarily comprised of charges for services & sales, grants, and contributions.

General revenues of governmental activities represent 90 percent of the City's governmental receipts. 75 percent of general revenues are local taxes. Property taxes make up 10 percent of the City's general revenues. The City's municipal income taxes make up 65 percent of general revenue. Other revenues are very insignificant and somewhat unpredictable revenue sources.

Security of Persons and Property: Fire expenses increased \$1,405,132 due to the hiring of new firemen. Police expenses increased \$1,315,116 due to hiring of new policemen. Community and Economic Development decreased \$14,313,822 from 2015. This is due to development related to the 2015 Rookwood Exchange Bonds received in 2015. No development of this nature occurred in 2016. Interest and Fiscal Charge expenses increased \$484,626 due to debt being paid.

The City's business-type activities, Water and Refuse Funds, accounted for 17 percent of the City's total revenues in 2016. Charges for Services and Sales in the business-type activities decreased \$257,783 due to decreases in water charges for services. Program expenses for the Water Fund increased \$436,084 due to an increase in contractual services. Expenses in the Refuse Fund increased \$84,584 due to increase in contractual services.

Governmental Activities

The two percent earnings tax is the largest source of revenue for the City. Revenues generated by the earnings tax represent approximately 65 percent of the City's total governmental activities revenue. The earnings tax is used to pay the cost of many City services including general government, security of persons and property, and community and economic development.

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the City. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, which account for 61 percent of all governmental expenses. General government also represents a significant cost, approximately 14 percent. The next three columns of the Statement entitled Program Revenues identify amounts paid by people who are directly charged for the service and grants received by the City that must be used to provide a specific service. The Net (Expense) Revenue column compares the program revenues to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general revenues which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2016
 Unaudited

Table 3
 Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
General Government	\$4,194,422	\$3,464,516	\$3,918,248	\$3,193,328
Security of Persons and Property				
Police	8,331,201	8,189,434	7,016,085	6,821,713
Fire	10,147,048	9,757,180	8,741,916	8,135,104
Public Services	37,763	37,763	8,750	8,750
Public Health	920,516	685,654	911,229	665,653
Leisure Time Activities	405,068	404,573	440,699	324,447
Community and Economic Development	2,708	2,708	14,316,530	14,316,530
Transportation	1,064,328	407,111	1,616,471	441,928
Intergovernmental	2,024,220	1,161,021	1,104,262	(59,283)
Interest & Fiscal Charges	3,366,352	3,366,352	2,881,726	2,881,726
Total Expenses	\$30,493,626	\$27,476,312	\$40,955,916	\$36,729,896

The dependence upon property and income tax receipts is apparent as 62 percent of governmental activities are supported through these general revenues.

Business-Type Activities

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

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Information about the City's major governmental funds is presented in the fund financial statements. These funds are reported using the modified accrual basis of accounting. In total, all governmental funds reported revenues of \$28,778,408 and expenditures of \$29,559,728.

Within the General Fund, there were revenues of \$21,407,321 and expenditures of \$21,419,236. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$853,178 as the result of increased expenses and transfers made to other funds.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2016
 Unaudited

Within the Debt Service Fund, there were revenues of \$4,238,561 and expenditures of \$5,316,448. The fund balance of this fund increased \$534,156 due to scheduled debt payments being paid and an increase in transfers in.

Governmental Fund Budgeting Highlights

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

During 2016, the City amended its General Fund budget several times to reflect changing circumstances. Final budgeted revenues were less than original budgeted revenues by \$1,237,889 due primarily to decreases in estimated income tax revenue. The difference between final budgeted revenues and actual revenues was \$110,757 which was due primarily to an increase in property taxes.

Final budgeted expenditures were less than original budgeted expenditures by \$558,351 due to overall decreases in estimated expenditures. Final expenditures were budgeted at \$19,169,019 for the General Fund. Actual expenditures were \$20,219,441 with a difference of \$1,050,422 due to expenditures being higher than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016 amounts to \$28.0 million (net of accumulated depreciation).

Table 4
Capital Assets

	Governmental Activities		Business Type Activity		Total	
	2016	2015	2016	2015	2016	2015
Land	\$12,906,146	\$12,906,146	\$0	\$0	\$12,906,146	\$12,906,146
Buildings	2,031,704	2,088,119	6,455	6,568	2,038,159	2,094,687
Land Improvements	446,822	467,338	0	0	446,822	467,338
Vehicles	973,203	1,106,015	0	0	973,203	1,106,015
Furniture, Fixtures and Equipment	1,526,809	886,670	0	0	1,526,809	886,670
Infrastructure	8,348,370	8,700,001	1,819,908	1,875,559	10,168,278	10,575,560
Totals	\$26,233,054	\$26,154,289	\$1,826,363	\$1,882,127	\$28,059,417	\$28,036,416

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

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2016
Unaudited

Debt

Table 5 summarizes the outstanding long-term debt at December 31, 2016 and 2015:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$1,515,243	\$1,807,978	\$0	\$0	\$1,515,243	\$1,807,978
OPWC Loans	341,965	385,482	432,744	450,407	774,709	835,889
Tax Increment						
Financing Bonds	40,546,167	41,291,089	0	0	40,546,167	41,291,089
Notes	3,481,150	3,566,567	0	0	3,481,150	3,566,567
Capital Leases	900,467	185,049	0	0	900,467	185,049
Police & Fire Pension	1,911,492	1,978,603	0	0	1,911,492	1,978,603
Net Pension Liability:						
Ohio Police and Fire	28,626,776	20,289,766	0	0	28,626,776	20,289,766
OPERS	3,556,132	2,424,834	677,358	461,873	4,233,490	2,886,707
Total	\$80,879,392	\$71,929,368	\$1,110,102	\$912,280	\$81,989,494	\$72,841,648

The City's overall unvoted legal debt margin was \$23,639,713 as of December 31, 2016. The more restrictive unvoted legal debt margin was \$10,543,161 as of the same date.

For more information regarding long-term obligations and capital leases, refer to notes 12 and 13 of the notes to the basic financial statements.

ECONOMIC AND OTHER POTENTIALLY SIGNIFICANT MATTERS

On October 6, 2016, the Auditor of State declared the City of Norwood to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a financial planning and supervision commission. The Commission is comprised of a representative of the Office of Budget and Management, a representative of the Treasurer of State, the Mayor, the President of Council, and three individuals appointed by the Governor who are residents of the City and meet certain criteria.

In accordance with Section 118.06 of the Ohio Revised Code, the City is required to submit to the Commission a financial recovery plan for the City which outlines the measures to be taken to eliminate the fiscal emergency conditions. The initial recovery plan by the City is due by July 8, 2017.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2016
Unaudited

REQUESTS FOR INFORMATION

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

This Page Left Intentionally Blank

**CITY OF NORWOOD, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2016**

	Governmental Activities	Business-Type Activities	Totals
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$1,552,010	\$497,347	\$2,049,357
Accounts Receivable	466,655	1,643,538	2,110,193
Internal Balances	8,831	(8,831)	0
Intergovernmental Receivable	558,642	0	558,642
Income Taxes Receivable	3,504,076	0	3,504,076
Property Taxes Receivable	2,885,917	0	2,885,917
Payments in Lieu of Taxes Receivable	5,146,212	0	5,146,212
Net Other Post Employment Benefits	131,098	0	131,098
Cash with Fiscal Agent	1,538,993	119,399	1,658,392
Nondepreciable Capital Assets	12,906,146	0	12,906,146
Depreciable Capital Assets, Net	13,326,908	1,826,363	15,153,271
Total Assets	42,025,488	4,077,816	46,103,304
DEFERRED OUTFLOWS OF RESOURCES:			
Pension	10,084,360	261,258	10,345,618
LIABILITIES:			
Accounts Payable	1,186,274	486,293	1,672,567
Accrued Wages Payable	668,366	24,482	692,848
Intergovernmental Payable	2,134,884	21,715	2,156,599
Contracts Payable	395,287	0	395,287
Accrued Interest Payable	150,216	0	150,216
Matured Compensated Absences Payable	60,309	0	60,309
Refundable Deposits	0	119,399	119,399
Long-Term Liabilities:			
Due Within One Year	2,085,193	46,101	2,131,294
Due in More Than One Year:			
Net Pension Liability (See Note 15)	32,182,908	677,358	32,860,266
Other Amounts	49,919,018	479,599	50,398,617
Total Liabilities	88,782,455	1,854,947	90,637,402
DEFERRED INFLOW OF RESOURCES:			
Property Taxes Not Levied	2,627,568	0	2,627,568
Payments In Lieu Of Taxes	5,146,212	0	5,146,212
Pension	149,094	13,088	162,182
Total Deferred Inflows Of Resources	7,922,874	13,088	7,935,962
NET POSITION:			
Net Investment in Capital Assets	13,140,379	1,393,619	14,533,998
Restricted for:			
Debt Service	1,346,296	0	1,346,296
Capital Outlay	119,076	0	119,076
Security of Persons and Property	155,327	0	155,327
Leisure Time Services	91,994	0	91,994
Community and Economic Development	6,310	0	6,310
Other Purposes	1,259,037	0	1,259,037
Unrestricted (Deficit)	(60,713,900)	1,077,420	(59,636,480)
Total Net Position (Deficit)	(\$44,595,481)	\$2,471,039	(\$42,124,442)

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants, Contributions and Interest
Governmental Activities:			
General Government	\$4,194,422	\$729,906	\$0
Security of Persons and Property			
Police	8,331,201	141,767	0
Fire	10,147,048	334,409	55,459
Public Services	37,763	0	0
Public Health Services	920,516	125,653	109,209
Leisure Time Services	405,068	0	495
Community and Economic Development	2,708	0	0
Transportation	1,064,328	6,648	650,569
Intergovernmental	2,024,220	0	863,199
Interest and Fiscal Charges	3,366,352	0	0
Total Governmental Activities	<u>30,493,626</u>	<u>1,338,383</u>	<u>1,678,931</u>
Business-Type Activities:			
Water	4,289,633	4,187,860	0
Refuse	1,439,768	1,502,617	0
Total Business-Type Activities	<u>5,729,401</u>	<u>5,690,477</u>	<u>0</u>
Total Activities	<u>\$36,223,027</u>	<u>\$7,028,860</u>	<u>\$1,678,931</u>

General Revenues:

Taxes:

Property Taxes Levied For General Purposes

Income Taxes

Municipal Motor Vehicle Taxes

Other Local Taxes

Payments in Lieu of Taxes

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Contributions

Interest

Other

Total General Revenues

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See accompanying notes to the basic financial statements

Net (Expense) /Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$3,464,516)	\$0	(\$3,464,516)
(8,189,434)	0	(8,189,434)
(9,757,180)	0	(9,757,180)
(37,763)	0	(37,763)
(685,654)	0	(685,654)
(404,573)	0	(404,573)
(2,708)	0	(2,708)
(407,111)	0	(407,111)
(1,161,021)	0	(1,161,021)
<u>(3,366,352)</u>	<u>0</u>	<u>(3,366,352)</u>
<u>(27,476,312)</u>	<u>0</u>	<u>(27,476,312)</u>
0	(101,773)	(101,773)
<u>0</u>	<u>62,849</u>	<u>62,849</u>
<u>0</u>	<u>(38,924)</u>	<u>(38,924)</u>
<u>(27,476,312)</u>	<u>(38,924)</u>	<u>(27,515,236)</u>
2,598,310	0	2,598,310
16,388,545	0	16,388,545
116,300	0	116,300
125,826	0	125,826
4,465,474	0	4,465,474
1,981,508	0	1,981,508
737	0	737
318	0	318
<u>47,584</u>	<u>0</u>	<u>47,584</u>
<u>25,724,602</u>	<u>0</u>	<u>25,724,602</u>
(1,751,710)	(38,924)	(1,790,634)
<u>(42,843,771)</u>	<u>2,509,963</u>	<u>(40,333,808)</u>
<u>(\$44,595,481)</u>	<u>\$2,471,039</u>	<u>(\$42,124,442)</u>

**CITY OF NORWOOD, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$0	\$0	\$1,552,010	\$1,552,010
Cash and Cash Equivalents with Fiscal Agents	0	0	343,350	343,350
Accounts Receivable	466,655	0	0	466,655
Intergovernmental Receivable	246,190	0	312,452	558,642
Income Taxes Receivable	3,504,076	0	0	3,504,076
Property Taxes Receivable	2,875,876	0	10,041	2,885,917
Payments in Lieu of Taxes Receivable	0	4,238,561	907,651	5,146,212
Interfund Receivable	0	565,297	311,470	876,767
Advances to Other Funds	376,713		8,831	385,544
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agents	0	1,195,643	0	1,195,643
Total Assets	<u>\$7,469,510</u>	<u>\$5,999,501</u>	<u>\$3,445,805</u>	<u>\$16,914,816</u>
LIABILITIES:				
Accounts Payable	\$768,129	\$337,946	\$80,199	\$1,186,274
Accrued Wages Payable	657,529	0	10,837	668,366
Contracts Payable	0	0	395,287	395,287
Intergovernmental Payable	2,103,913	0	30,971	2,134,884
Matured Compensated Absences Payable	60,309	0	0	60,309
Advances from Other Funds	0	0	376,713	376,713
Interfund Payable	876,767	0	0	876,767
Total Liabilities	<u>4,466,647</u>	<u>337,946</u>	<u>894,007</u>	<u>5,698,600</u>
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes not Levied	2,627,568	0	0	2,627,568
Payments in Lieu of Taxes	0	4,238,561	907,651	5,146,212
Unavailable Revenue	2,005,333	0	262,826	2,268,159
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,632,901</u>	<u>4,238,561</u>	<u>1,170,477</u>	<u>10,041,939</u>
FUND BALANCES:				
Nonspendable	376,713	0	8,831	385,544
Restricted	0	1,422,994	1,586,347	3,009,341
Committed	0	0	5,000	5,000
Assigned	158,341	0	0	158,341
Unassigned (Deficit)	<u>(2,165,092)</u>	<u>0</u>	<u>(218,857)</u>	<u>(2,383,949)</u>
Total Fund Balances (Deficit)	<u>(1,630,038)</u>	<u>1,422,994</u>	<u>1,381,321</u>	<u>1,174,277</u>
Total Liabilities and Fund Balances	<u>\$7,469,510</u>	<u>\$5,999,501</u>	<u>\$3,445,805</u>	<u>\$16,914,816</u>

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016**

Total Governmental Fund Balances \$1,174,277

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds. These assets consist of:

Land	12,906,146	
Depreciable capital assets	32,909,118	
Accumulated depreciation	<u>(19,582,210)</u>	
Total capital assets		26,233,054

Some of the City's revenues will be collected after year-end,
but are not available soon enough to pay for the current period's expenditures
and therefore are deferred in the funds:

Property taxes	248,308	
Due from other governments:		
Charges for services	390,364	
Shared taxes and local government revenue assistance	497,609	
Income taxes	<u>1,131,878</u>	
		2,268,159

Certain assets are reported in governmental activities are not financial
resources, and are therefore, not reported in governmental funds.

Other Postemployment Benefits		131,098
-------------------------------	--	---------

The net pension liability is not due and payable in the current period; therefore, the liability
and related deferred inflows/outflows are not reported in the governmental funds:

Deferred Outflows - Pension	10,084,360	
Deferred Inflows - Pension	(149,094)	
Net Pension Liability	<u>(32,182,908)</u>	

Total		(22,247,642)
-------	--	--------------

In the Statement of Activities, interest is accrued on outstanding bonds, whereas
in governmental funds, an interest expenditure is reported when due.

(150,216)

Long-term liabilities are not due and payable in the current period and therefore
are not reported in the funds. Those liabilities consist of:

Discount on bonds	183,833	
Capital leases	(900,467)	
Bonds	(42,245,243)	
Notes	(3,481,150)	
Loans	(341,965)	
Police & Fire Liability	(1,911,492)	
Compensated absences	<u>(3,307,727)</u>	
Total liabilities		<u>(52,004,211)</u>

Net Position of Governmental Activities		<u>(44,595,481)</u>
---	--	---------------------

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General</u>	<u>Debt Service Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property Taxes	\$2,600,956	\$0	\$0	\$2,600,956
Income Taxes	16,178,846	0	0	16,178,846
Other Local Taxes	0	0	125,826	125,826
Permissive Motor Vehicle License Taxes	0	0	116,300	116,300
Payments in Lieu of Taxes	0	4,238,561	226,913	4,465,474
Charges for Services	579,390	0	23,399	602,789
Fines, Licenses and Permits	806,159	0	147,742	953,901
Intergovernmental	1,183,657	0	2,476,576	3,660,233
Interest	0	0	318	318
Rent	13,892	0	0	13,892
Contributions and Donations	737	0	11,552	12,289
Other	43,684	0	3,900	47,584
Total Revenues	<u>21,407,321</u>	<u>4,238,561</u>	<u>3,132,526</u>	<u>28,778,408</u>
EXPENDITURES:				
Current:				
General Government	3,909,262	190,745	15,744	4,115,751
Security of Persons and Property:				
Police	7,106,068	0	196,671	7,302,739
Fire	8,644,037	0	110,226	8,754,263
Public Services	6,563	0	0	6,563
Public Health Services	811,159	0	90,275	901,434
Leisure Time Services	63,008	0	294,248	357,256
Community and Economic Development	0	0	2,131	2,131
Transportation	0	0	765,432	765,432
Intergovernmental	0	1,238,660	758,996	1,997,656
Capital Outlay	747,979	0	0	747,979
Debt Service:				
Principal Retirement	122,473	1,002,735	173,934	1,299,142
Interest and Fiscal Charges	8,687	2,884,308	416,387	3,309,382
Total Expenditures	<u>21,419,236</u>	<u>5,316,448</u>	<u>2,824,044</u>	<u>29,559,728</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(11,915)</u>	<u>(1,077,887)</u>	<u>308,482</u>	<u>(781,320)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	0	1,612,043	0	1,612,043
Inception of Capital Lease	770,780	0	0	770,780
Transfers Out	<u>(1,612,043)</u>	<u>0</u>	<u>0</u>	<u>(1,612,043)</u>
Total Other Financing Sources (Uses)	<u>(841,263)</u>	<u>1,612,043</u>	<u>0</u>	<u>770,780</u>
Net Change in Fund Balances	<u>(853,178)</u>	<u>534,156</u>	<u>308,482</u>	<u>(10,540)</u>
Fund Balances (Deficit) at Beginning of Year	<u>(776,860)</u>	<u>888,838</u>	<u>1,072,839</u>	<u>1,184,817</u>
Fund Balances (Deficit) at End of Year	<u>(\$1,630,038)</u>	<u>\$1,422,994</u>	<u>\$1,381,321</u>	<u>\$1,174,277</u>

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Net Change in Fund Balances - Total Governmental Funds (\$10,540)

Amounts reported for governmental activities in the
Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds.
However, in the Statement of Activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense. In the current
period, these amounts are:

Capital Assets Additions	770,780	
Current Year Depreciation	(692,015)	
	78,765	78,765

Because some revenues will not be collected for several months after the City's year-end,
they are not considered "available" revenues and are deferred in the governmental funds.

Property Taxes	(2,646)	
Due From Other Governments:		
Charges for Services	(232,199)	
Shared Taxes and Local Government Revenue Assistance	(11,346)	
Income Taxes	209,699	
	(36,492)	(36,492)

Repayment of long-term obligations is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the Statement of
Net Position.

General obligation bond principal retirement	1,047,735	
Note principal retirement	85,417	
Police & Fire principal retirement	67,111	
Loan principal retirement	43,517	
Capital lease payments	55,362	
Total long-term obligation repayment	1,299,142	1,299,142

In the Statement of Activities, interest accrued on outstanding bonds and bond accretion, bond
premiums, bond issuance costs and the gain/loss on refunding are amortized over the terms of the
bonds, whereas in the governmental funds the expenditure is reported when the bonds are issued.

Amortization of bond discount	(10,078)	
Accrued Interest	(46,892)	
	(56,970)	(56,970)

Debt Proceeds are reported as other financing sources in governmental funds and thus
contribute to the change in fund balances. In the government-wide statements, however,
issuing debt increases long-term liabilities in the Statement of Net Position and does
not affect the Statement of Activities.

Capital Lease Proceeds		(770,780)
------------------------	--	-----------

Contractually required contributions are reported as expenditures in governmental funds; however, the
Statement of Net Position reports these amounts as deferred outflows. 2,129,232

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are
reported as pension expense in the Statement of Activities. (4,286,697)

Some expenses reported in the Statement of Activities, such as compensated absences,
do not require the use of current financial resources and therefore are not
reported as expenditures in governmental funds.

Increase in Compensated Absences		(97,370)
----------------------------------	--	----------

Change in Net Position of Governmental Activities (\$1,751,710)

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES:				
Property Taxes	\$2,192,145	\$2,290,305	\$2,600,956	\$310,651
Income Taxes	16,530,022	15,375,030	15,290,577	(84,453)
Charges for Services	614,108	571,199	568,061	(3,138)
Fines, Licenses and Permits	952,673	891,470	810,238	(81,232)
Intergovernmental	1,288,413	1,198,874	1,185,382	(13,492)
Rent	15,018	13,968	13,892	(76)
Contributions and Donations	1,055	999	737	(262)
Other	47,225	60,925	43,684	(17,241)
Total Revenues	21,640,659	20,402,770	20,513,527	110,757
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	3,211,241	3,167,992	3,624,918	(456,926)
Judicial System	352,422	341,004	352,401	(11,397)
Security of Persons and Property:				
Police	6,906,441	6,682,686	6,914,694	(232,008)
Fire	8,296,028	8,025,784	8,251,750	(225,966)
Public Services	6,640	6,424	10,938	(4,514)
Public Health Services	823,169	796,500	922,318	(125,818)
Leisure Time Services	124,790	141,990	142,422	(432)
Capital Outlay	6,467	6,467	0	6,467
Debt Service:				
Principle Retirement	172	172	0	172
Total Expenditures	19,727,370	19,169,019	20,219,441	(1,050,422)
Excess of Revenues Over (Under) Expenditures	1,913,289	1,233,751	294,086	(939,665)
OTHER FINANCING USES:				
Advances Out	(50,586)	(48,947)	(50,000)	(1,053)
Transfers Out	(1,669,112)	(1,519,905)	(1,612,043)	(92,138)
Total Other Financing Uses	(1,719,698)	(1,568,852)	(1,662,043)	(93,191)
Net Change in Fund Balance	193,591	(335,101)	(1,367,957)	(1,032,856)
Fund Balance (Deficit) at Beginning of Year	(2,204,906)	(2,204,906)	(2,204,906)	0
Prior Year Encumbrances Appropriated	2,042,954	2,042,954	2,042,954	0
Fund Balance (Deficit) at End of Year	\$31,639	(\$497,053)	(\$1,529,909)	(\$1,032,856)

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2016**

	<u>Water</u>	<u>Refuse</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$296,496	\$200,851	\$497,347
Accounts Receivable	1,187,575	455,963	1,643,538
Total Current Assets	<u>1,484,071</u>	<u>656,814</u>	<u>2,140,885</u>
Noncurrent Assets:			
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	119,399	0	119,399
Depreciable Capital Assets, Net	1,826,363	0	1,826,363
Total Noncurrent Assets	<u>1,945,762</u>	<u>0</u>	<u>1,945,762</u>
Total Assets	<u>3,429,833</u>	<u>656,814</u>	<u>4,086,647</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension	<u>261,258</u>	<u>0</u>	<u>261,258</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	369,142	117,151	486,293
Accrued Wages Payable	24,482	0	24,482
Intergovernmental Payable	21,715	0	21,715
Compensated Absences Payable	28,438	0	28,438
OPWC Loans Payable	17,663	0	17,663
Refundable Deposits	119,399	0	119,399
Total Current Liabilities	<u>580,839</u>	<u>117,151</u>	<u>697,990</u>
Noncurrent Liabilities:			
Advances from Other Funds	8,831	0	8,831
Compensated Absences Payable	64,518	0	64,518
OPWC Loans Payable	415,081	0	415,081
Net Pension Liability	677,358	0	677,358
Total Noncurrent Liabilities	<u>1,165,788</u>	<u>0</u>	<u>1,165,788</u>
Total Liabilities	<u>1,746,627</u>	<u>117,151</u>	<u>1,863,778</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension	<u>13,088</u>	<u>0</u>	<u>13,088</u>
NET POSITION:			
Net Investment in Capital Assets	1,393,619	0	1,393,619
Unrestricted	<u>537,757</u>	<u>539,663</u>	<u>1,077,420</u>
Total Net Position	<u>\$1,931,376</u>	<u>\$539,663</u>	<u>\$2,471,039</u>

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Water</u>	<u>Refuse</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services	<u>\$4,187,860</u>	<u>\$1,502,617</u>	<u>\$5,690,477</u>
OPERATING EXPENSES:			
Personal Services	967,633	0	967,633
Contractual Services	3,182,522	1,439,146	4,621,668
Supplies and Materials	70,420	0	70,420
Depreciation	55,764	0	55,764
Refunds	11,205	0	11,205
Other	<u>2,089</u>	<u>622</u>	<u>2,711</u>
Total Operating Expenses	<u>4,289,633</u>	<u>1,439,768</u>	<u>5,729,401</u>
Change in Net Position	(101,773)	62,849	(38,924)
Net Position at Beginning of Year	<u>2,033,149</u>	<u>476,814</u>	<u>2,509,963</u>
Net Position at End of Year	<u><u>\$1,931,376</u></u>	<u><u>\$539,663</u></u>	<u><u>\$2,471,039</u></u>

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Water</u>	<u>Refuse</u>	<u>Total</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$4,182,761	\$1,592,535	\$5,775,296
Cash Payments for Employee Services and Benefits	(919,758)	0	(919,758)
Cash Payments to Suppliers for Goods and Services	(3,223,986)	(1,557,147)	(4,781,133)
Utility Deposits Received	44,700	0	44,700
Utility Deposits Returned	(34,870)	0	(34,870)
Net Cash Provided by Operating Activities	<u>48,847</u>	<u>35,388</u>	<u>84,235</u>
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on OPWC Loans	(17,663)	0	(17,663)
Net Cash Used for Capital and Related Financing Activities	<u>(17,663)</u>	<u>0</u>	<u>(17,663)</u>
Net Increase in Cash and Cash Equivalents	31,184	35,388	66,572
Cash and Cash Equivalents at Beginning of Year	<u>384,711</u>	<u>165,463</u>	<u>550,174</u>
Cash and Cash Equivalents at End of Year	<u><u>\$415,895</u></u>	<u><u>\$200,851</u></u>	<u><u>\$616,746</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(\$101,773)	\$62,849	(\$38,924)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	55,764	0	55,764
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(5,099)	89,918	84,819
(Increase) Decrease in Deferred Outflows Pension	(178,254)	0	(178,254)
Increase (Decrease) in Accounts Payable	45,005	(117,379)	(72,374)
Increase in Accrued Wages Payable	1,356	0	1,356
Decrease in Intergovernmental Payable	(5,869)	0	(5,869)
Increase in Deferred Inflows Pension	4,974	0	4,974
Increase in Payable from Restricted Assets	9,830	0	9,830
Increase in Net Pension Liability	215,485	0	215,485
Increase in Compensated Absences Payable	7,428	0	7,428
Net Cash Provided by Operating Activities	<u><u>\$48,847</u></u>	<u><u>\$35,388</u></u>	<u><u>\$84,235</u></u>

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016**

	Pension Trust	Agency
	<u> </u>	<u> </u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$18	\$4,653,343
Accounts Receivable	<u>0</u>	<u>1,601,963</u>
Total Assets	<u><u>\$18</u></u>	<u><u>\$6,255,306</u></u>
LIABILITIES:		
Accounts Payable	\$0	\$1,479,438
Intergovernmental Payable	0	4,687,584
Undistributed Monies	<u>0</u>	<u>88,284</u>
Total Liabilities	<u>0</u>	<u><u>\$6,255,306</u></u>
NET POSITION:		
Held in Trust for OPEB	<u>18</u>	
Total Net Position	<u><u>\$18</u></u>	

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Pension Trust</u>
ADDITIONS:	
Employer Contributions	\$0
DEDUCTIONS:	
Distributions to Participants	<u>0</u>
Change in Net Position	0
Net Position at Beginning of Year	<u>18</u>
Net Position at End of Year	<u><u>\$18</u></u>

See accompanying notes to the basic financial statements

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 1 - DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

Reporting Entity

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

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

The City is associated with one shared risk pool and one jointly governed organization. The City participates in the Ohio Energy Special Improvement District, Inc., which is defined as jointly governed organizations and the Public Entities Pool of Ohio (PEP), which is defined as a shared risk pool. The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool (see Note 23) available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Services Group, Inc. (York), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is administered by York. This organization is presented in Note 21 and 23 of the Basic Financial Statements.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Norwood have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Fiduciary funds are reported by type.

Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following funds are reported as the City's major governmental funds:

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

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

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

Proprietary Fund

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

Enterprise Funds

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

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

Fiduciary Funds

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

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined and "available" means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes/payments in lieu of taxes is recognized in the year for which the taxes are levied or would have been levied (See Notes 7 and 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: municipal income taxes, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance) fines and forfeitures, and grants.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a pension reported in the government-wide Statement of Net Position and are explained in Note 15.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, and unavailable revenue. Property taxes and revenue in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, other local taxes, municipal income taxes, delinquent payments in lieu of taxes, intergovernmental grants, special assessments, charges for services and interest. These amounts are deferred and recognized as revenue in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 16. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. (See Note 15)

Expenses/Expenditures

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

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Pensions

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

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2016

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

Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values on the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

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

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

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

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Interfund Balances

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

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-Term Obligations

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and net pension liability that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term bonds, loans, and capital leases are recognized as liabilities on the governmental fund financial statements when due.

Restricted Assets

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

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

Operating Revenues and Expenses

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

Internal Activity

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

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

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Bond Discounts

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

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

Net Position

Net position represents the difference between assets and deferred outflows of resources compared to liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include funds for court programs, telecommunications and public health programs.

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

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

Estimates

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

Fund Balance

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

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

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

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

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

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

NOTE 3 CHANGE IN ACCOUNTING PRINCIPLE

For 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB 79 guidance into their 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - FUND BALANCES

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Fund Balances	General Fund	Debt Service Fund	All Other Governmental Funds	Total
Nonspendable				
Long-Term Advance	\$376,713	\$0	\$8,831	\$385,544
Restricted for				
Community Programs	0	0	50,101	50,101
Court Program	0	0	54,201	54,201
Park & Recreation	0	0	91,994	91,994
Capital Improvements	0	0	114,076	114,076
Road Improvements	0	0	72,962	72,962
Fire	0	0	52,032	52,032
Police	0	0	106,929	106,929
Economic Development	0	0	6,310	6,310
Paycor	0	0	833,894	833,894
Health Programs	0	0	203,668	203,668
Debt Service	0	1,422,994	0	1,422,994
Indigent Driver	0	0	180	180
<i>Total Restricted</i>	<u>0</u>	<u>1,422,994</u>	<u>1,586,347</u>	<u>3,009,341</u>
Committed to				
Purchases on Order	0	0	5,000	5,000
Assigned to				
Other Purposes	158,341	0	0	158,341
Unassigned (Deficits):	<u>(2,165,092)</u>	<u>0</u>	<u>(218,857)</u>	<u>(2,383,949)</u>
<i>Total Fund Balances(Deficit)</i>	<u>(\$1,630,038)</u>	<u>\$1,422,994</u>	<u>\$1,381,321</u>	<u>\$1,174,277</u>

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2016

3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Changes in Fund Balance

	General
GAAP Basis	(\$853,178)
Revenue Accruals	(893,794)
Expenditure Accruals	1,852,937
Encumbrances	(653,142)
Inception of Capital Lease	(770,780)
Advances Out	(50,000)
Budget Basis	(\$1,367,957)

NOTE 6 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Interim monies held by the City may be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio; and with certain limitations bonds and other obligations of political subdivision of the State of Ohio.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

1. Bonds of the State of Ohio;

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

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

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

NOTE 7 – MUNICIPAL INCOME TAX

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

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

NOTE 8 – PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes were levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2016

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. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. The full tax rate for all City operations for the year ended December 31, 2016, was \$11.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	\$205,917,570
Public Utility Personal Property	<u>19,222,550</u>
Total	<u><u>\$225,140,120</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2016, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 9 – RECEIVABLES

Receivables at December 31, 2016, consisted of accounts, property taxes, municipal income taxes, payments in lieu of taxes, interfund, advances to other funds, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible and will be received within one year with the exception of property taxes, income taxes, and payments in lieu of taxes. Property, income taxes, and payment in lieu of taxes although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	
Homestead and Rollback	\$94,942
Local Government	151,248
Gasoline Excise Tax	175,693
Motor Vehicle License Tax	45,889
Cents per Gallon	<u>90,870</u>
Total Intergovernmental Receivable	<u><u>\$558,642</u></u>

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2016

Revenue in Lieu of Taxes

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

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

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance 12/31/2015	Additions	Deletions	Balance at 12/31/2016
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$12,906,146	\$0	\$0	\$12,906,146
Capital Assets Being Depreciated				
Buildings	4,713,229	0	0	4,713,229
Land Improvements	1,482,809	0	0	1,482,809
Vehicles	4,628,292	0	0	4,628,292
Furniture, Fixtures and Equipment	2,824,550	770,780	0	3,595,330
Infrastructure	18,489,458	0	0	18,489,458
Total Capital Assets Being Depreciated	<u>32,138,338</u>	<u>770,780</u>	<u>0</u>	<u>32,909,118</u>
Less Accumulated Depreciation				
Buildings	(2,625,110)	(56,415)	0	(2,681,525)
Land Improvements	(1,015,471)	(20,516)	0	(1,035,987)
Vehicles	(3,522,277)	(132,812)	0	(3,655,089)
Furniture, Fixtures and Equipment	(1,937,880)	(130,641)	0	(2,068,521)
Infrastructure	(9,789,457)	(351,631)	0	(10,141,088)
Total Accumulated Depreciation	<u>(18,890,195)</u>	<u>(692,015)</u>	<u>0</u>	<u>(19,582,210)</u>
Total Capital Assets Being Depreciated, Net	<u>13,248,143</u>	<u>78,765</u>	<u>0</u>	<u>13,326,908</u>
Governmental Activities Capital Assets, Net	<u>\$26,154,289</u>	<u>\$78,765</u>	<u>\$0</u>	<u>\$26,233,054</u>

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Depreciation expense was charged to governmental programs as follows:

<u>Governmental Activities</u>	
General Government	\$107,892
Security of Persons and Property:	
Police	98,015
Fire	104,095
Public Health Services	2,781
Leisure Time Services	38,946
Intergovernmental	3,763
Capital Outlay	22,801
Community and Economic Development	577
Transportation	313,145
Total Depreciation Expense	<u>\$692,015</u>

	Balance 12/31/15	Additions	Deletions	Balance at 12/31/16
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated				
Buildings	\$61,685	\$0	\$0	\$61,685
Vehicles	163,198	0	0	163,198
Furniture, Fixtures and Equipment	134,717	0	0	134,717
Infrastructure	3,560,384	0	0	3,560,384
Total Capital Assets Being Depreciated	<u>3,919,984</u>	<u>0</u>	<u>0</u>	<u>3,919,984</u>
Less Accumulated Depreciation				
Buildings	(55,117)	(113)	0	(55,230)
Vehicles	(163,198)	0	0	(163,198)
Furniture, Fixtures and Equipment	(134,717)	0	0	(134,717)
Infrastructure	(1,684,825)	(55,651)	0	(1,740,476)
Total Accumulated Depreciation	<u>(2,037,857)</u>	<u>(55,764)</u>	<u>0</u>	<u>(2,093,621)</u>
Business-Type Activities, Net	<u>\$1,882,127</u>	<u>(\$55,764)</u>	<u>\$0</u>	<u>\$1,826,363</u>

NOTE 11 - SHORT-TERM DEBT

A summary of the short-term note transactions for the year ended December 31, 2016 follows:

	Balance at December 31, 2015	Increases	Decreases	Balance at December 31, 2016
<u>Governmental Activities</u>				
Notes Payable	\$1,200,000	\$0	\$1,200,000	\$0

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

The notes are issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the City and mature within one year. The liability for the notes is presented in the fund that received the note proceeds.

NOTE 12 - LONG-TERM DEBT

A schedule of changes in bonds and other long-term obligations of the governmental activities of the City during 2016 follows:

Governmental Activities

Types/Issues	Balance 12/31/15	Increases	Decreases	Balance 12/31/16	Due Within One Year
General Obligation Refunding Bonds					
2006 - 4.48% - \$6,545,752	\$1,807,978	\$0	\$292,735	\$1,515,243	\$292,735
OPWC Loan- Resurface					
Williams Ave 2003 - 0% - \$247,090	105,016	0	12,354	92,662	12,354
OPWC Loan - Montgomery Rd Phase II 2003 - 0% - \$623,255	280,466	0	31,162	249,304	31,162
Tax Increment Financing Bonds					
2006 - 4%-5.75% - \$12,500,000	10,650,000	0	330,000	10,320,000	350,000
Discount on Debt Issue	(117,670)	0	(7,355)	(110,315)	0
Linden Pointe Tax Increment Financing					
Bonds 2010 - 5%-7% - \$3,595,000	3,435,000	0	45,000	3,390,000	45,000
Tax Increment Financing Bonds 2013 - 6.00%-7.00% - \$7,050,00	7,050,000	0	105,000	6,945,000	115,000
Discount on Debt Issue	(76,241)	0	(2,723)	(73,518)	0
Paycor Note 2015 - 5.00% - \$3,607,719	3,566,567	0	85,417	3,481,150	89,741
Rookwood Exchange TIF Bonds - 6.50% 2015 - \$20,350,000	20,350,000	0	275,000	20,075,000	295,000
Capital Leases	185,049	770,780	55,362	900,467	211,576
2.12% Police & Fire Pension	1,978,603	0	67,111	1,911,492	69,993
Compensated Absences	3,210,356	526,335	428,965	3,307,726	572,632
Total Other Long-Term Obligations	<u>52,425,124</u>	<u>1,297,115</u>	<u>1,718,028</u>	<u>52,004,211</u>	<u>2,085,193</u>
<u>Net Pension Liability</u>					
OP&F	20,289,766	8,337,010		28,626,776	0
OPERS	2,424,834	1,131,298		3,556,132	0
Total Net Pension Liability	<u>22,714,600</u>	<u>9,468,308</u>	<u>0</u>	<u>32,182,908</u>	<u>0</u>
Total Governmental Activities	<u>\$75,139,724</u>	<u>\$10,765,423</u>	<u>\$1,718,028</u>	<u>\$84,187,119</u>	<u>\$2,085,193</u>

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

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

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

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

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

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

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

Police and Fire Past Service Liability

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

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

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General Fund, Transportation Fund, Health Fund, and Water Fund. For additional information related to the net pension liability see Note 15.

Changes in the long-term obligations reported in business-type activities of the City during 2016 were as follows:

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2016

Business-Type Activities

Types/Issues	Balance 12/31/15	Increases	Decreases	Balance 12/31/16	Due Within One Year
2009 OPWC Smith Road					
Waterline - 0% \$529,890	\$450,407	\$0	\$17,663	\$432,744	\$17,663
Compensated Absences	85,528	33,946	26,518	92,956	28,438
Net Pension Liability - OPERS	461,873	215,485	0	677,358	0
Total	<u>\$997,808</u>	<u>\$249,431</u>	<u>\$44,181</u>	<u>\$1,203,058</u>	<u>\$46,101</u>

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

As of December 31, 2016, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$23,639,713 and the unvoted debt margin was \$10,543,161.

Annual Long-Term Debt Requirements

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

Year	Note		Governmental Activities			Various Purpose Bonds	
	Principal	Interest	OPWC Loans	Tax Increment Financing Bonds		Principal	Interest
2017	\$89,741	\$172,950	\$43,516	\$805,000	\$2,826,166	\$292,735	\$59,620
2018	94,284	168,406	43,516	900,000	2,774,954	292,735	45,862
2019	99,057	163,633	43,516	960,000	2,717,541	292,735	32,103
2020	104,072	158,619	43,516	1,020,000	2,656,366	292,735	18,345
2021	109,340	153,350	43,516	1,140,000	2,591,141	344,303	4,856
2022-2026	635,554	677,899	124,386	7,085,000	11,714,115	0	0
2027-2031	813,559	499,890	0	10,360,000	8,950,619	0	0
2032-2036	1,041,426	272,025	0	7,830,000	5,727,625	0	0
2037-2041	494,117	31,264	0	10,100,000	2,496,697	0	0
2042-2043	0	0	0	530,000	73,150	0	0
Totals	<u>\$3,481,150</u>	<u>\$2,298,036</u>	<u>\$341,966</u>	<u>\$40,730,000</u>	<u>\$42,528,374</u>	<u>\$1,515,243</u>	<u>\$160,786</u>

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2016

Year	Governmental Activities Pension Liability - Police and Fire Pension		Business Type Activities OPWC Loans
	Principal	Interest	Principal
2017	\$69,993	\$80,502	\$17,663
2018	73,000	77,496	17,663
2019	76,135	74,361	17,663
2020	79,405	71,090	17,663
2021	82,816	67,680	17,662
2022-2026	470,593	281,887	88,310
2027-2031	580,719	171,761	88,310
2032-2036	478,830	41,135	88,310
2037-2041	0	0	79,500
Totals	<u>\$1,911,492</u>	<u>\$865,912</u>	<u>\$432,744</u>

NOTE 13 - LEASES – LESSEE DISCLOSURE

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

Capital assets acquired by leases have been capitalized in the Statement of Net Position for governmental activities in the amount of \$2,155,628. A corresponding liability was recorded on the Statement of Net Position for governmental activities. Principal payments in 2016 totaled \$55,362.

The assets acquired through capital leases are as follows:

Asset	Asset Value	Accum. Depreciation	Net Book Value Dec. 31, 2016
Vehicles	\$1,929,826	\$1,195,370	\$734,456
Furniture, Fixtures, and Equipment	225,802	101,611	124,191
Total	<u>\$2,155,628</u>	<u>\$1,296,981</u>	<u>\$858,647</u>

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2016

The following is a schedule of future minimum payments on capital leases and the present value of the minimum lease payments at December 31, 2016:

Year	Governmental Activities
2017	\$262,833
2018	158,876
2019	158,876
2020	143,628
2021	128,380
2022	128,380
2023	57,976
Total Minimum Lease Payments	1,038,949
Less: Amount Representing Interest	(138,482)
Present Value of Minimum Lease Payments	\$900,467

During 2016, the City entered into noncancelable operating leases for the use of vehicles. Operating lease payments are reported as function expenditures in governmental funds and on budgetary statements. Total operating lease payments in 2016 totaled \$38,676 in the General Fund.

The following is a schedule of the future minimum operating lease payments:

Year Ending	Total Payments
2017	\$68,767
Total	\$68,767

NOTE 14 - RISK MANAGEMENT

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

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

The City belongs to the Public Entities Pool of Ohio (PEP), a public entity shared risk pool (see Note 23) available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Services Group, Inc. (York), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2016

The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool's primary liability for such payments. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts. (At December 31, 2016 the Pool retained \$350,000 for casualty claims and \$100,000 for property claims). The Board of Directors and York periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain.

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

Financial Position

PEP's financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016 and 2015:

<u>Casualty and Property Coverage</u>	<u>2016</u>	<u>2015</u>
Assets	\$42,182,281	\$38,307,677
Liabilities	<u>13,396,700</u>	<u>12,759,127</u>
Net Position - Unrestricted	<u>\$28,785,581</u>	<u>\$25,548,550</u>
Unpaid Claims to be Billed in the Future	\$11.5 million	\$11.0 million
Number of Members	520	499

The unpaid claims to be billed in the future will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$67,757. This payable includes the subsequent year's contribution due if the City terminates participation, as described below.

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

<u>Contributions to PEP</u>	<u>Amount</u>
2014	\$182,827
2015	\$183,415
2016	\$182,973

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2016

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

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

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

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

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2016 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0%	16.1%	16.1%
Post-employment Health Care Benefits	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0%</u>	<u>18.1%</u>	<u>18.1%</u>
Employee	<u>10.0%</u>	<u>12.0%</u>	<u>13.0%</u>

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$348,135 for 2016. Of this amount, \$41,903 is reported as an intergovernmental payable.

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

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

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

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2016

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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

	<u>Police</u>	<u>Firefighters</u>
2016 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee:		
2016 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	<u>0.50%</u>	<u>0.50%</u>
Total Employer	<u><u>19.50%</u></u>	<u><u>24.00%</u></u>

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$1,836,799 for 2016. Of this amount \$71,491 is reported as an intergovernmental payable.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,233,490	\$28,626,776	\$32,860,266
Proportion of the Net Pension Liability	0.024441%	0.444994%	
Pension Expense	\$611,914	\$3,772,689	\$4,384,603

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$1,244,382	\$4,659,341	\$5,903,723
Changes in proportion and differences between City contributions and proportionate share of contributions	40,346	2,216,615	2,256,961
City contributions subsequent to the measurement date	<u>348,135</u>	<u>1,836,799</u>	<u>2,184,934</u>
Total Deferred Outflows of Resources	<u><u>\$1,632,863</u></u>	<u><u>\$8,712,755</u></u>	<u><u>\$10,345,618</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	<u><u>\$81,799</u></u>	<u><u>\$80,383</u></u>	<u><u>\$162,182</u></u>

\$2,184,934 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2017	\$290,774	\$1,638,537	\$1,929,311
2018	310,672	1,638,537	1,949,209
2019	319,879	1,638,537	1,958,416
2020	281,604	1,371,719	1,653,323
2021	0	427,093	427,093
Thereafter	<u>0</u>	<u>81,150</u>	<u>81,150</u>
Total	<u><u>\$1,202,929</u></u>	<u><u>\$6,795,573</u></u>	<u><u>\$7,998,502</u></u>

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.31%
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	<u>100.00%</u>	<u>5.28%</u>

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2016

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$6,744,983	\$4,233,490	\$2,115,124

Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized below:

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return</u>	<u>30 Year Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	0.00 %	0.00 %
Domestic Equity	16.00	6.50	7.80
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation Protected *	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	<u>120.00 %</u>		

* levered 2x

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

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

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

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2016

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$37,754,883	\$28,626,776	\$20,894,371

NOTE 16 - POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

OPERS maintains two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

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

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

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

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$58,022 \$60,791 and \$58,684, respectively. For 2016, 97.69 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2016 through December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

The City's contribution to OPF which was allocated to fund postemployment healthcare benefits for police and firefighters was \$21,324 and \$21,840 for the year ended December 31, 2016, \$155,029 and \$163,334 for the year ended December 31, 2015, and \$188,544 and \$196,301 for the year ended December 31, 2014. For 2016, 96.11 percent has been contributed for both police and firefighters with the balance being reported as an *intergovernmental payable*. The full amount has been contributed for 2015 and 2014.

NOTE 17 - OTHER EMPLOYEE BENEFITS

Deferred Compensation

City employees may participate in the Ohio Public Employees Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. The Deferred pay and income earned on it is not subject to federal and State income until actually received by the employee. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Insurance

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

NOTE 18 – CITY ADMINISTERED OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2016

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

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

The C-9 Trust is a single-employer defined benefit post-employment healthcare plan. The plan covers retired employees of the City and their spouses. The plan provides for allowable insurance premiums plus reimbursement for uninsured expenses (deductibles, co-pays, etc.) up to \$2,250 per individual per year. The City's postemployment benefit coverage was established under, and is administrated in accordance with, Internal Revenue Code 501 (c) 9.

Summary of Significant Accounting Policies

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

Funding Policy and Annual OPEB Cost

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

Schedule of Employer Contributions

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

CITY OF NORWOOD
 Hamilton County, Ohio
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2016

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

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

Funded Status and Funded Progress

Schedule of Funding Process

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

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

The accompanying schedule of employer contributions present trend information about the amounts contributed to the plan by the employer in comparison to the annual required contributions, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 43. The annual required contributions represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost for each year and amortize an unfunded actuarial liability (or funding excess) over a period

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

not to exceed 30 years.

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

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

NOTE 19 - INTERFUND ACTIVITY

The interfund receivable/payable is the result of the General Fund having a negative \$876,767 cash balance at year end. A receivable/payable is presented for reporting purposes.

The General Fund advanced monies to the Transportation, Fire, and the Parks Funds in the amounts of \$336,441, \$29,561, and \$10,711, respectively. The Permissive Tax Fund advanced monies to the Water Fund in the amount of \$8,831.

During 2016, the General Fund transferred money to the Debt Service Fund in the amount of \$1,612,043 for scheduled debt payments.

NOTE 20 - ACCOUNTABILITY

Accountability

The General fund had a deficit balance of \$1,630,038. The General Fund deficit balance exists because sufficient revenues have not been generated to cover expenditures. The Transportation nonmajor Special Revenue Fund had a deficit fund balance of \$218,857.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

NOTE 21 – JOINTLY GOVERNED ORGANIZATION

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

NOTE 22 - CONTINGENCIES

Litigation

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

Federal and State Grants

For the period January 1, 2016 to December 31, 2016, the City received State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 23 – SHARED RISK POOL

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

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

NOTE 24 - FISCAL EMERGENCY

On October 6, 2016, the Auditor of State declared the City of Norwood to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a financial planning and supervision commission. The Commission is comprised of a representative of the Office of Budget and Management, a representative of the Treasurer of State, the Mayor, the President of City Council, and three individuals appointed by the Governor who are residents of the City and meet certain criteria. In accordance with Section 118.06 of the Ohio Revised Code, the City is required to submit to the Commission a financial recovery plan for the City which outlines the measures to be taken to eliminate the fiscal emergency conditions. The initial recovery plan by the City is due by July 8, 2017.

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

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

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

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

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

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.4449940%	0.3916628%	0.3916628%
City's Proportionate Share of the Net Pension Liability	\$28,626,776	\$20,289,766	\$19,075,207
City's Covered Payroll	\$8,632,814	\$7,696,906	\$5,493,037
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	331.60%	263.61%	347.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	72.20%	73.00%

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

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

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

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

(1) Information prior to 2013 is not available.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,836,799	\$1,356,782	\$1,639,083	\$982,759
Contributions in Relation to the Contractually Required Contribution	<u>(1,836,799)</u>	<u>(1,356,782)</u>	<u>(1,639,083)</u>	<u>(982,759)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$8,632,814	\$6,367,269	\$7,696,906	\$5,493,037
Contributions as a Percentage of Covered-Employee Payroll:	21.28%	21.31%	21.30%	17.89%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$1,297,224	\$1,358,372	\$1,379,918	\$1,456,693	\$1,428,371	\$1,329,283
<u>(1,297,224)</u>	<u>(1,358,372)</u>	<u>(1,379,918)</u>	<u>(1,456,693)</u>	<u>(1,428,371)</u>	<u>(1,329,283)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,610,736	\$9,054,786	\$9,214,358	\$9,726,711	\$9,431,982	\$8,800,026
15.07%	15.00%	14.98%	14.98%	15.14%	15.11%

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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Norwood, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 26, 2017, wherein we noted that the City is in Fiscal watch and is experiencing significant deficits.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weakness or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-002 to be a significant deficiency.

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

Purpose of this Report

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

J. L. Uhrig and Associates, Inc.

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

June 26, 2017

City of Norwood, Ohio
Schedule of Findings
For the Year Ended December 31, 2016

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

Finding Number 2016-001

Noncompliance

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

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

Fund	Total Appropriations	Appropriations Posted	Variance
General	\$19,480,479	\$20,140,062	(\$659,583)
M&R	534,541	590,589	(56,048)
State Highway Improvement	52,375	81,479	(29,104)
C.W.N.P	61,767	62,420	(653)
Mayors Court Computerization	75,400	75,414	(14)
DAG	201,077	225,087	(24,010)
Drug Law Enforcement	92,000	140,425	(48,425)
Health Department	272,000	281,732	(9,732)
Recreation Commission	118,200	118,945	(745)
EMS Fund	118,294	142,422	(24,128)
Waterworks/Carl & Edyth Lindne	47,717	47,782	(65)
Wireless E911	94,640	97,699	(3,059)
Water	4,022,114	4,482,859	(460,745)
Refuse Collections	1,300,999	1,868,264	(567,265)
Storm Water Management	140,000	140,315	(315)
Building Assessment	19,133	23,662	(4,529)
Fire Dept Fixed Assets Fund	90,897	95,026	(4,129)
Total	\$26,721,633	\$28,614,182	(\$1,892,549)

Officials' Response:

The City provided no response to this finding.

City of Norwood, Ohio
Schedule of Findings
For the Year Ended December 31, 2016

<i>Finding Number 2016-002</i>

Noncompliance/Significant Deficiency

Ohio Revised Code § 5705.10, states that monies paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative balance indicates that money from one fund was used to cover the expenses of another fund. At December 31, 2016, there was a negative cash fund balance for the General Fund of \$1,630,038. Negative cash fund balances are an indication that receipts from other sources were used to pay obligations of these funds. Fund activity should be monitored to prevent future disbursements in excess of available resources. The City should not make any expenditure from any fund if the resulting expenditure will exceed the fund cash balance.

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

Officials' Response:

The City provided no response to this finding.

City of Norwood, Ohio
Schedule of Prior Audit Findings
For the Year Ended December 31, 2016

Finding Number	Description	Status	Comments
<i>Government Auditing Standards:</i>			
2015-001	Ohio Admin. Code 117-02-02 (C) (1) – Integration of budgetary accounts	Not Corrected	Reissued as Finding 2016-001
2015-002	Ohio Revised Code § 5705.10 – Negative cash fund balance	Not Corrected	Reissued as Finding 2016-002



Dave Yost • Auditor of State

CITY OF NORWOOD

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 15, 2017**