



CITY OF NORWOOD, OHIO

REGULAR AUDIT

For the Year Ended December 31, 2018

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS



OHIO AUDITOR OF STATE
KEITH FABER

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Members of 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, 2018 through December 31, 2018. 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.



Keith Faber
Auditor of State
Columbus, Ohio

August 5, 2019

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HAMILTON COUNTY, OHIO
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HAMILTON COUNTY, OHIO
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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, 2018, 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 risks, 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, 2018, 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 22, 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. 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 3-14 and schedules of net pension/OPEB liabilities and pension/OPEB 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 July 22, 2019 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

July 22, 2019

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2018
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, 2018. 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 2018 are as follows:

- The City's total governmental activities' net position increased \$1,731,368 from 2017. Business-type activities net position realized a decrease of \$423,177 from 2017.
- For governmental activities, general revenues accounted for \$31,895,691 of all revenues. Program receipts in the form of charges for services, operating and capital grants, contributions and interest accounted for \$1,715,813 of total revenues of \$33,611,504.
- The City had \$31,880,136 in expenses related to governmental activities; only \$1,715,813 of these expenses was offset by program specific charges for services. General revenues (primarily property and municipal income taxes) were \$31,895,691 but were sufficient to cover the remaining governmental expenses.
- Enterprise funds reflected an operating loss of (\$423,177). The Water and Refuse funds realized an operating loss and income of (\$508,200) and \$85,023, 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, 2018
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 those assets. 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 of usage or a usage fee. The intent is that the fees charged recoup operational costs.

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

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2018
 Unaudited

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.

THE CITY AS A WHOLE

Table 1 provides a summary of the City's net position for 2018 compared to 2017:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Assets:						
Current and Other Assets	\$18,899,305	\$15,164,274	\$1,895,281	\$2,091,881	\$20,794,586	\$17,256,155
Nondepreciable Capital Assets	12,906,146	12,906,146	0	0	12,906,146	12,906,146
Depreciable Capital Assets, Net	12,465,939	12,660,461	1,714,835	1,770,599	14,180,774	14,431,060
Total Assets	\$44,271,390	\$40,730,881	\$3,610,116	\$3,862,480	\$47,881,506	\$44,593,361

(Continued)

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2018
Unaudited

Table 1
Net Position
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		Restated	
	2018	2017	2018	2017	2018	2017
Deferred Outflows of Resources:						
Pension	\$5,166,353	\$8,772,703	\$195,881	\$442,910	\$5,362,234	\$9,215,613
OPEB	2,314,977	92,541	36,070	7,008	2,351,047	99,549
Total Deferred Outflows of Resources	<u>7,481,330</u>	<u>8,865,244</u>	<u>231,951</u>	<u>449,918</u>	<u>7,713,281</u>	<u>9,315,162</u>
Liabilities:						
Current and Other Liabilities	1,256,974	1,770,263	615,572	566,754	1,872,546	2,337,017
Long-Term Liabilities:						
Due Within One Year	2,238,502	2,193,792	47,085	42,373	2,285,587	2,236,165
Due in More Than One Year:						
Net Pension Liability	26,441,902	31,157,082	697,964	1,017,968	27,139,866	32,175,050
Net OPEB Liability	23,735,367	22,086,466	475,636	447,041	24,211,003	22,533,507
Other Amounts	50,252,895	51,377,491	465,807	475,584	50,718,702	51,853,075
Total Liabilities	<u>103,925,640</u>	<u>108,585,094</u>	<u>2,302,064</u>	<u>2,549,720</u>	<u>106,227,704</u>	<u>111,134,814</u>
Deferred Inflows of Resources:						
Property Taxes Not Levied	2,561,590	2,239,160	0	0	2,561,590	2,239,160
Payments in Lieu of Taxes	4,932,640	5,578,106	0	0	4,932,640	5,578,106
Pension	4,313,515	1,092,187	167,986	6,059	4,481,501	1,098,246
OPEB	2,186,389	0	38,575	0	2,224,964	0
Total Deferred Inflows of Resources	<u>13,994,134</u>	<u>8,909,453</u>	<u>206,561</u>	<u>6,059</u>	<u>14,200,695</u>	<u>8,915,512</u>
Net Position:						
Net Investment in Capital Assets	12,788,423	12,782,020	1,317,417	1,355,518	14,105,840	14,137,538
Restricted	5,585,889	4,247,251	0	0	5,585,889	4,247,251
Unrestricted	(84,541,366)	(84,927,693)	16,025	401,101	(84,525,341)	(84,526,592)
Total Net Position	<u>(\$66,167,054)</u>	<u>(\$67,898,422)</u>	<u>\$1,333,442</u>	<u>\$1,756,619</u>	<u>(\$64,833,612)</u>	<u>(\$66,141,803)</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2018
Unaudited

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability (asset) and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2018
Unaudited

investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from (\$45,904,497) to (\$67,898,422) for governmental activities and from \$2,196,652 to \$1,756,619 for business-type activities.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2018 and 2017.

As mentioned previously, the net position of governmental activities increased \$1,731,368 during 2018. Although there was an increase in revenue, the overall expenses for 2018 decreased from 2017.

Table 2 shows the changes in net position for the years ended December 31, 2018 and 2017.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services and Sales	\$1,715,813	\$1,313,158	\$5,909,363	\$5,646,738	\$7,625,176	\$6,959,896
Operating Grants, Contributions and Interest	0	3,345,237	0	0	0	3,345,237
Total Program Revenues	<u>\$1,715,813</u>	<u>\$4,658,395</u>	<u>\$5,909,363</u>	<u>\$5,646,738</u>	<u>\$7,625,176</u>	<u>\$10,305,133</u>

(Continued)

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2018
Unaudited

Table 2
Changes in Net Position
(Continued)

	Governmental		Business-Type		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
General Revenues:						
Property Taxes	\$3,026,313	\$2,577,539	\$0	\$0	\$3,026,313	\$2,577,539
Income Taxes	17,758,300	16,555,873	0	0	17,758,300	16,555,873
Other Local Taxes	677,849	186,510	0	0	677,849	186,510
Payments in Lieu of Taxes	6,525,440	5,578,106	0	0	6,525,440	5,578,106
Grants and Entitlements	3,574,774	1,892,070	0	0	3,574,774	1,892,070
Contributions and Donations	27,993	30	0	0	27,993	30
Unrestricted Interest	60,139	601	0	0	60,139	601
Other	244,883	15,576	3,025	0	247,908	15,576
Total General Revenues	<u>31,895,691</u>	<u>26,806,305</u>	<u>3,025</u>	<u>0</u>	<u>31,898,716</u>	<u>26,806,305</u>
Total Revenues	<u>33,611,504</u>	<u>31,464,700</u>	<u>5,912,388</u>	<u>5,646,738</u>	<u>39,523,892</u>	<u>37,111,438</u>
Program Expenses:						
General Government	4,724,822	3,524,837	0	0	4,724,822	3,524,837
Security of Persons and Property:						
Police	7,963,886	7,396,604	0	0	7,963,886	7,396,604
Fire	10,602,760	8,683,431	0	0	10,602,760	8,683,431
Public Services	51,337	89,366	0	0	51,337	89,366
Public Health Services	931,036	1,090,948	0	0	931,036	1,090,948
Leisure Time Activities	429,356	231,481	0	0	429,356	231,481
Community and Economic						
Development	661	2,655,740	0	0	661	2,655,740
Transportation	703,664	3,616,058	0	0	703,664	3,616,058
Intergovernmental	2,715,558	2,819,424	0	0	2,715,558	2,819,424
Interest and Fiscal Charges	3,757,056	2,665,827	0	0	3,757,056	2,665,827
Water	0	0	4,814,132	4,515,046	4,814,132	4,515,046
Refuse	0	0	1,521,433	1,406,079	1,521,433	1,406,079
Total Expenses	<u>31,880,136</u>	<u>32,773,716</u>	<u>6,335,565</u>	<u>5,921,125</u>	<u>38,215,701</u>	<u>38,694,841</u>
Change in Net Position	1,731,368	(1,309,016)	(423,177)	(274,387)	1,308,191	(1,583,403)
Beginning Net Position						
- Restated See Note 3	<u>(67,898,422)</u>	N/A	<u>1,756,619</u>	N/A	<u>(66,141,803)</u>	N/A
Ending Net Position	<u><u>(\$66,167,054)</u></u>	<u><u>(\$67,898,422)</u></u>	<u><u>\$1,333,442</u></u>	<u><u>\$1,756,619</u></u>	<u><u>(\$64,833,612)</u></u>	<u><u>(\$66,141,803)</u></u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$99,549 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$1,696,580. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2018
Unaudited

	Governmental Activities	Business-Type Activities	Total
Total 2018 program expenses under GASB 75	\$31,880,136	\$6,335,565	\$38,215,701
OPEB expense under GASB 75	(1,657,404)	(39,176)	(1,696,580)
2018 contractually required contribution	44,550	1,068	45,618
Adjusted 2018 program expenses	30,267,282	6,297,457	36,564,739
Total 2017 program expenses under GASB 45	32,773,716	5,921,125	38,694,841
Decrease in program expenses not related to OPEB	(\$2,506,434)	\$376,332	(\$2,130,102)

Governmental program revenues represent only 5 percent of total governmental activities revenue and are primarily comprised of charges for services & sales, grants, and contributions.

General revenues of governmental activities represent 95 percent of the City's governmental revenues. Property taxes make up 9 percent of the City's general revenues. The City's municipal income taxes make up 56 percent of general revenue. Other local taxes and payments in lieu of taxes make up 23 percent of general revenues. Other revenues are very insignificant and somewhat unpredictable revenue sources.

Security of Persons and Property: Fire expense increased \$1,919,329 due to an increase in governmental payments subsequent to GASB 68 OP&F. Police expense increased \$567,282 due to an increase in governmental payments subsequent to government GASB 68 OP&F. Interest and Fiscal Charges increased \$1,091,229 due to an increase in debt payments. Transportation expense decreased \$2,912,394 due to employees being moved out of the department. Intergovernmental expense decreased \$103,866 due to decreases in payments to OP&F and OPERS, and a decrease in the accrued wages liability. Leisure Time Activities expense increased \$197,875 due to an increase in governmental payments subsequent to GASB 68 OPERS. Community and Economic Development expense decreased \$2,655,079 due to a project that was done in 2017.

The City's business-type activities, Water and Refuse Funds, accounted for 15 percent of the City's total revenues in 2018. Charges for Services and Sales in the business-type activities increased \$262,625 due to increases in water charges for services. Program expenses for the Water Fund increased \$299,086 due to an increase in contractual services. Expenses in the Refuse Fund increased \$115,354 due to a 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 53 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.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2018
Unaudited

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 58 percent of all governmental expenses. General government also represents a significant cost, approximately 15 percent. The next three columns of the Statement entitled Program Receipts 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 receipts 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 receipts 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.

Table 3
Governmental Activities

	Total Cost Of Services 2018	Net Cost of Services 2018	Total Cost Of Services 2017	Net Cost of Services 2017
General Government	\$4,724,822	\$3,830,372	\$3,524,837	\$2,877,288
Security of Persons and Property:				
Police	7,963,886	7,874,657	7,396,604	7,321,273
Fire	10,602,760	10,015,415	8,683,431	8,167,905
Public Services	51,337	51,337	89,366	89,366
Public Health	931,036	807,339	1,090,948	859,608
Leisure Time Activities	429,356	429,356	231,481	230,420
Community and Economic Development	661	(20,431)	2,655,740	2,655,740
Transportation	703,664	703,664	3,616,058	2,855,346
Intergovernmental	2,715,558	2,715,558	2,819,424	392,548
Interest and Fiscal Charges	3,757,056	3,757,056	2,665,827	2,665,827
Total Expenses	<u><u>\$31,880,136</u></u>	<u><u>\$30,164,323</u></u>	<u><u>\$32,773,716</u></u>	<u><u>\$28,115,321</u></u>

The dependence upon property and income tax receipts is apparent as 65 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

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2018
Unaudited

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 \$33,430,650 and expenditures of \$29,380,259.

Within the General Fund, there were revenues of \$23,611,598 and expenditures of \$20,963,599. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$3,106,769 as the result of increased income and property tax revenue.

Within the Debt Service Fund, there were revenues of \$5,431,405 and expenditures of \$5,462,135. The fund balance of this fund decreased \$30,730 due to debt and interest payments being paid.

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 2018, the City amended its General Fund budget several times to reflect changing circumstances. Final budgeted revenues were greater than original budgeted revenues by \$658,344 due to increases in estimated income tax revenue. The difference between final budgeted revenues and actual revenues was \$692,648 which was due primarily to an increase in income and property taxes.

Final budgeted expenditures were more than original budgeted expenditures by \$568,399 due to overall increase in estimated contract payment obligations paid. Final expenditures were budgeted at \$22,473,605 for the General Fund. Actual expenditures were \$20,893,374 with a difference of \$1,580,231 due to expenditures being lower 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, 2018 amounts to \$27.0 million (net of accumulated depreciation).

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2018
Unaudited

Table 4
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$12,906,146	\$12,906,146	\$0	\$0	\$12,906,146	\$12,906,146
Buildings	1,918,874	1,975,289	6,229	6,342	1,925,103	1,981,631
Land Improvements	423,043	433,989	0	0	423,043	433,989
Vehicles	1,009,452	849,318	0	0	1,009,452	849,318
Furniture, Fixtures, and Equipment	1,469,459	1,405,125	0	0	1,469,459	1,405,125
Infrastructure	7,645,111	7,996,740	1,708,606	1,764,257	9,353,717	9,760,997
Total	\$25,372,085	\$25,566,607	\$1,714,835	\$1,770,599	\$27,086,920	\$27,337,206

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

Debt

Table 5 summarizes the outstanding long-term debt at December 31, 2018 and 2017:

Table 5
Outstanding Long-term Obligations at Year End

	Governmental Activities		Business-type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
General Obligation Bonds	\$929,773	\$1,222,508	\$0	\$0	\$929,773	\$1,222,508
OPWC Loans	530,158	583,188	397,418	415,081	927,576	998,269
Tax Increment Financing Bonds	38,981,323	39,866,245	0	0	38,981,323	39,866,245
Notes	3,297,125	3,391,409	0	0	3,297,125	3,391,409
Capital Leases	1,008,731	688,891	0	0	1,008,731	688,891
Special Assessment Bond	2,635,000	2,655,000	0	0	2,635,000	2,655,000
Police and Fire Pension	1,768,499	1,841,499	0	0	1,768,499	1,841,499
Net Pension Liability						
OP&F	23,650,056	27,085,212	0	0	23,650,056	27,085,212
OPERS	2,791,846	4,071,870	697,964	1,017,968	3,489,810	5,089,838
Total Net Pension Liability	26,441,902	31,157,082	697,964	1,017,968	27,139,866	32,175,050
Net OPEB Liability						
Ohio Police and Fire	21,832,824	20,298,302	0	0	21,832,824	20,298,302
OPERS	1,902,543	1,788,164	475,636	447,041	2,378,179	2,235,205
Total Net OPEB Liability	23,735,367	22,086,466	475,636	447,041	24,211,003	22,533,507
Totals	\$99,327,878	\$103,492,288	\$1,571,018	\$1,880,090	\$100,898,896	\$105,372,378

The City's overall unvoted legal debt margin was \$28,215,396 as of December 31, 2018. The more restrictive unvoted legal debt margin was \$16,044,775 as of the same date.

For more information regarding long-term obligations and capital leases, refer to notes 11 and 12 of the notes to the basic financial statements.

CITY OF NORWOOD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2018
Unaudited

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 was approved by the City on July 5, 2017. The last amended recovery plan is dated March 27, 2019.

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.

**CITY OF NORWOOD, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Governmental Activities	Business-Type Activities	Totals
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$7,287,764	\$620,914	\$7,908,678
Accounts Receivable	194,595	1,429,041	1,623,636
Internal Balances	156,541	(156,541)	0
Intergovernmental Receivable	561,537	0	561,537
Income Taxes Receivable	2,753,780	0	2,753,780
Property Taxes Receivable	3,004,985	0	3,004,985
Revenue in Lieu of Taxes Receivable	4,932,640	0	4,932,640
Net Pension Asset	7,463	1,867	9,330
Nondepreciable Capital Assets	12,906,146	0	12,906,146
Depreciable Capital Assets, Net	12,465,939	1,714,835	14,180,774
Total Assets	44,271,390	3,610,116	47,881,506
DEFERRED OUTFLOWS OF RESOURCES:			
Pension	5,166,353	195,881	5,362,234
OPEB	2,314,977	36,070	2,351,047
Total Deferred Outflows of Resources	7,481,330	231,951	7,713,281
LIABILITIES:			
Accounts Payable	112,690	453,606	566,296
Accrued Wages Payable	652,389	24,870	677,259
Intergovernmental Payable	267,208	10,797	278,005
Contracts Payable	2,728	0	2,728
Accrued Interest Payable	221,959	0	221,959
Refundable Deposits	0	126,299	126,299
Long-Term Liabilities:			
Due Within One Year	2,238,502	47,085	2,285,587
Due in More Than One Year			
Net Pension Liability	26,441,902	697,964	27,139,866
Net OPEB Liability	23,735,367	475,636	24,211,003
Other Amounts	50,252,895	465,807	50,718,702
Total Liabilities	103,925,640	2,302,064	106,227,704
DEFERRED INFLOW OF RESOURCES:			
Property Taxes Not Levied	2,561,590	0	2,561,590
Revenue In Lieu Of Taxes	4,932,640	0	4,932,640
Pension	4,313,515	167,986	4,481,501
OPEB	2,186,389	38,575	2,224,964
Total Deferred Inflows Of Resources	13,994,134	206,561	14,200,695
NET POSITION:			
Invested in Capital Assets	12,788,423	1,317,417	14,105,840
Restricted for:			
Debt Service	1,614,931	0	1,614,931
Capital Outlay	802,327	0	802,327
Fire	78,541	0	78,541
Police	102,730	0	102,730
Community Programs	24,782	0	24,782
Court Program	37,394	0	37,394
Parks and Recreation	41,058	0	41,058
Road Improvements	159,042	0	159,042
Transportation	848,268	0	848,268
Economic Development	6,063	0	6,063
Paycor	1,647,273	0	1,647,273
Health Programs	223,300	0	223,300
Indigent Driver	180	0	180
Unrestricted (Deficit)	(84,541,366)	16,025	(84,525,341)
Total Net Position (Deficit)	(\$66,167,054)	\$1,333,442	(\$64,833,612)

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Expenses	Program Revenues	Net (Expense)
		Charges for Services and Sales	Governmental Activities
Governmental Activities:			
General Government	\$4,724,822	\$894,450	(\$3,830,372)
Security of Persons and Property			
Police	7,963,886	89,229	(7,874,657)
Fire	10,602,760	587,345	(10,015,415)
Public Services	51,337	0	(51,337)
Public Health Services	931,036	123,697	(807,339)
Leisure Time Services	429,356	0	(429,356)
Community and Economic Development	661	21,092	20,431
Transportation	703,664	0	(703,664)
Intergovernmental	2,715,558	0	(2,715,558)
Interest and Fiscal Charges	3,757,056	0	(3,757,056)
Total Governmental Activities	<u>31,880,136</u>	<u>1,715,813</u>	<u>(30,164,323)</u>
Business-Type Activities:			
Water	4,814,132	4,302,907	0
Refuse	1,521,433	1,606,456	0
Total Business-Type Activities	<u>6,335,565</u>	<u>5,909,363</u>	<u>0</u>
Total Activities	<u>\$38,215,701</u>	<u>\$7,625,176</u>	<u>(30,164,323)</u>

General Revenues:

Taxes:

Property Taxes Levied For	
General Purposes	3,026,313
Income Taxes	17,758,300
Other Local Taxes	677,849
Revenue in Lieu of Taxes	6,525,440
Grants and Entitlements not	
Restricted to Specific Programs	3,574,774
Unrestricted Contributions	27,993
Interest	60,139
Other	244,883
Total General Revenues	<u>31,895,691</u>

Change in Net Position 1,731,368

Net Position (Deficit) at Beginning of Year
- Restated (See Note 3) (67,898,422)

Net Position (Deficit) at End of Year (\$66,167,054)

See accompanying notes to the basic financial statements

/Revenue and Changes in Net Assets

<u>Business-Type Activities</u>	<u>Total</u>
\$0	(\$3,830,372)
0	(7,874,657)
0	(10,015,415)
0	(51,337)
0	(807,339)
0	(429,356)
0	20,431
0	(703,664)
0	(2,715,558)
0	<u>(3,757,056)</u>
0	<u>(30,164,323)</u>
(511,225)	(511,225)
85,023	85,023
<u>(426,202)</u>	<u>(426,202)</u>
<u>(426,202)</u>	<u>(30,590,525)</u>
0	3,026,313
0	17,758,300
0	677,849
0	6,525,440
0	3,574,774
0	27,993
0	60,139
3,025	247,908
<u>3,025</u>	<u>31,898,716</u>
(423,177)	1,308,191
<u>1,756,619</u>	<u>(66,141,803)</u>
<u>\$1,333,442</u>	<u>(\$64,833,612)</u>

**CITY OF NORWOOD, OHIC
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$1,808,373	\$573,175	\$3,367,223	\$5,748,771
Cash and Cash Equivalents with Fiscal Agents	0	0	343,350	343,350
Accounts Receivable	194,595	0	0	194,595
Intergovernmental Receivable	259,898	0	301,639	561,537
Income Taxes Receivable	2,753,780	0	0	2,753,780
Property Taxes Receivable	2,996,256	0	8,729	3,004,985
Revenue in Lieu of Taxes Receivable	0	4,078,177	854,463	4,932,640
Interfund Receivable	147,710	0	0	147,710
Advances to Other Funds	10,711	0	8,831	19,542
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agents	0	1,195,643	0	1,195,643
Total Assets	<u>\$8,171,323</u>	<u>\$5,846,995</u>	<u>\$4,884,235</u>	<u>\$18,902,553</u>
LIABILITIES:				
Accounts Payable	\$100,182	\$0	\$12,508	\$112,690
Accrued Wages Payable	645,881	0	6,508	652,389
Contracts Payable	2,728	0	0	2,728
Intergovernmental Payable	264,095	0	3,113	267,208
Advances From Other Funds	0	0	10,711	10,711
Total Liabilities	<u>\$1,012,886</u>	<u>\$0</u>	<u>\$32,840</u>	<u>\$1,045,726</u>
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes not Levied to Finance Current Year Operations	\$2,561,590	\$0	\$0	\$2,561,590
Revenue in Lieu of Taxes not Intended to Finance Current Year Operations	0	4,078,177	854,463	\$4,932,640
Unavailable Revenue	1,681,433	0	250,572	\$1,932,005
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$4,243,023</u>	<u>\$4,078,177</u>	<u>\$1,105,035</u>	<u>\$9,426,235</u>
FUND BALANCES:				
Nondespensible:				
Advances	\$10,711	\$0	\$8,831	\$19,542
Reserved:				
Restricted	0	1,768,818	3,732,529	5,501,347
Committed	0	0	5,000	5,000
Assigned	275,465	0	0	275,465
Unassigned (Deficit)	2,629,238	0	0	2,629,238
Total Fund Balances (Deficit)	<u>2,915,414</u>	<u>1,768,818</u>	<u>3,746,360</u>	<u>8,430,592</u>
Total Liabilities and Fund Balances	<u>\$8,171,323</u>	<u>\$5,846,995</u>	<u>\$4,884,235</u>	<u>\$18,902,553</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, 2018**

Total Governmental Fund Balances \$8,430,592

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	33,376,143	
Accumulated depreciation	<u>(20,910,204)</u>	
Total capital assets		25,372,085

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	304,846	
Due from other governments:		
Charges for services	130,830	
Shared taxes and local government revenue assistance	487,321	
Income taxes	<u>1,009,008</u>	
		1,932,005

The net pension and net OPEB 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:

Net Pension Asset	7,463	
Deferred Outflows - Pension	5,166,353	
Deferred Outflows - OPEB	2,314,977	
Deferred Inflows - Pension	(4,313,515)	
Deferred Inflows - OPEB	(2,186,389)	
Net Pension Liability	(26,441,902)	
Net OPEB Liability	<u>(23,735,367)</u>	
Total		(49,188,380)

In the Statement of Activities, interest is accrued on outstanding bonds, whereas
in governmental funds, an interest expenditure is reported when due. (221,959)

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	163,677	
Capital leases	(1,008,731)	
Bonds	(42,709,773)	
Notes	(3,297,125)	
Loans	(530,158)	
Police & Fire Liability	(1,768,499)	
Compensated absences	<u>(3,340,788)</u>	
Total liabilities		<u>(52,491,397)</u>

Net Position of Governmental Activities (\$66,167,054)

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, 2018

	General	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property Taxes	\$2,952,964	\$0	\$0	\$2,952,964
Income Taxes	17,598,285	0	0	17,598,285
Other Local Taxes	379,770	0	184,942	564,712
Permissive Motor Vehicle License Taxes	0	0	113,137	113,137
Revenue in Lieu of Taxes	0	5,419,221	1,106,219	6,525,440
Charges for Services	675,493	0	1,553	677,046
Fines, Licenses and Permits	952,239	0	112,930	1,065,169
Intergovernmental	767,822	0	2,818,474	3,586,296
Interest	44,771	12,184	3,184	60,139
Rent	14,586	0	0	14,586
Contributions and Donations	0	0	27,993	27,993
Other	225,668	0	19,215	244,883
Total Revenues	23,611,598	5,431,405	4,387,647	33,430,650
EXPENDITURES:				
Current:				
General Government	4,379,241	0	16,373	4,395,614
Security of Persons and Property:				
Police	6,210,929	0	81,614	6,292,543
Fire	8,511,308	0	40,729	8,552,037
Public Services	8,750	0	0	8,750
Public Health Services	814,509	0	111,059	925,568
Leisure Time Services	1,406	0	370,800	372,206
Community and Economic Development	0	0	84	84
Transportation	0	0	366,759	366,759
Intergovernmental	0	1,356,043	1,332,952	2,688,995
Capital Outlay	458,770	0	0	458,770
Debt Service:				
Principal Retirement	503,766	855,000	208,213	1,566,979
Interest and Fiscal Charges	74,920	3,251,092	425,942	3,751,954
Total Expenditures	20,963,599	5,462,135	2,954,525	29,380,259
Excess of Revenues Over (Under) Expenditures	2,647,999	(30,730)	1,433,122	4,050,391
OTHER FINANCING SOURCES (USES):				
Inception of Capital Leas	458,770	0	0	458,770
Net Change in Fund Balances	3,106,769	(30,730)	1,433,122	4,509,161
Fund Balances (Deficit) at Beginning of Year	(191,355)	1,799,548	2,313,238	3,921,431
Fund Balances (Deficit) at End of Year	<u>\$2,915,414</u>	<u>\$1,768,818</u>	<u>\$3,746,360</u>	<u>\$8,430,592</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, 2018**

Net Change in Fund Balances - Total Governmental Funds		\$4,509,161
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	467,025	
Current Year Depreciation	<u>(661,547)</u>	(194,522)
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	73,349	
Due From Other Governments:		
Charges for Services	(40,988)	
Shared Taxes and Local Government Revenue Assistance	(11,522)	
Income Taxes	<u>160,015</u>	180,854
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	1,207,735	
Note principal retirement	94,284	
Police & Fire principal retirement	73,000	
Loan principal retirement	53,030	
Capital lease payments	<u>138,930</u>	
Total long-term obligation repayment		1,566,979
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	<u>4,976</u>	(5,102)
Certain assets are reported in governmental activities are not financial resources, and are therefore, not reported in governmental funds.		
Other Postemployment Benefits		(131,098)
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		(458,770)
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.		
Pension	2,077,378	
OPEB	<u>44,550</u>	
Total		2,121,928
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability (asset) are reported as pension expense in the Statement of Activities.		
Pension	(4,182,413)	
OPEB	<u>(1,657,404)</u>	
Total		(5,839,817)
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		(18,245)
Change in Net Position of Governmental Activities		<u>\$1,731,368</u>

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, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES:				
Property Taxes	\$2,784,453	\$2,866,582	\$2,952,964	\$86,382
Income Taxes	16,782,426	17,277,431	17,798,072	520,641
Other Local Taxes	0	0	249,950	249,950
Charges for Services	638,510	657,344	677,152	19,808
Fines, Licenses and Permits	893,396	919,747	947,463	27,716
Intergovernmental	959,402	987,700	767,513	(220,187)
Interest	42,216	43,461	44,771	1,310
Rent	13,754	14,159	14,586	427
Other	212,990	219,067	225,668	6,601
Total Revenues	<u>22,327,147</u>	<u>22,985,491</u>	<u>23,678,139</u>	<u>692,648</u>
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	4,762,849	4,324,061	4,024,762	299,299
Judicial System	341,148	451,348	438,923	12,425
Security of Persons and Property:				
Police	7,252,033	7,683,227	6,685,005	998,222
Fire	8,239,791	8,736,491	8,574,967	161,524
Leisure Time Services	3,100	3,100	0	3,100
Public Services	13,282	13,082	8,750	4,332
Public Health Services	928,658	897,951	814,749	83,202
Transportation	12,936	12,936	3,035	9,901
Capital Outlay	6,467	6,467	0	6,467
Debt Service:				
Interest and Fiscal Charges	42,668	42,668	45,862	(3,194)
Principle Retirement	302,274	302,274	297,321	4,953
Total Expenditures	<u>21,905,206</u>	<u>22,473,605</u>	<u>20,893,374</u>	<u>1,580,231</u>
Net Change in Fund Balance	421,941	511,886	2,784,765	2,272,879
Fund Balance (Deficit) at Beginning of Year	(1,314,546)	(1,314,546)	(1,314,546)	0
Prior Year Encumbrances Appropriated	<u>193,802</u>	<u>193,802</u>	<u>193,802</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>(\$698,803)</u>	<u>(\$608,858)</u>	<u>\$1,664,021</u>	<u>\$2,272,879</u>

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2018**

	<u>Water</u>	<u>Refuse</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$0	\$494,615	\$494,615
Accounts Receivable	989,495	439,546	1,429,041
Total Current Assets	989,495	934,161	1,923,656
Noncurrent Assets:			
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	126,299	0	126,299
Net Pension Asset	1,867	0	1,867
Depreciable Capital Assets, Net	1,714,835	0	1,714,835
Total Noncurrent Assets	1,843,001	0	1,843,001
Total Assets	2,832,496	934,161	3,766,657
DEFERRED OUTFLOWS:			
Pension	195,881	0	195,881
OPEB	36,070	0	36,070
Total Deferred Outflows	231,951	0	231,951
LIABILITIES:			
Current Liabilities:			
Accounts Payable	326,899	126,707	453,606
Accrued Wages Payable	24,870	0	24,870
Intergovernmental Payable	10,797	0	10,797
Interfund Payable	147,710	0	147,710
Compensated Absences Payable	29,422	0	29,422
OPWC Loans Payable	17,663	0	17,663
Current Liabilities Payable from Restricted Assets:			
Refundable Deposits	126,299	0	126,299
Advances From Other Funds	8,831	0	8,831
Total Current Liabilities	692,491	126,707	819,198
Noncurrent Liabilities:			
Compensated Absences Payable	86,052	0	86,052
OPWC Loans Payable	379,755	0	379,755
Long-term Liabilities Payable Due in More Than One Year:			
Net Pension Liability	697,964	0	697,964
Net OPEB Liability	475,636	0	475,636
Total Noncurrent Liabilities	1,639,407	0	1,639,407
Total Liabilities	2,331,898	126,707	2,458,605
DEFERRED INFLOWS:			
Pension	167,986	0	167,986
OPEB	38,575	0	38,575
Total Deferred Inflows	206,561	0	206,561
NET POSITIONS:			
Invested in Capital Assets Unrestricted	1,317,417	0	1,317,417
	(791,429)	807,454	16,025
Total Net Position	\$525,988	\$807,454	\$1,333,442

See accompanying notes to the basic financial statements

CITY OF NORWOOD, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITIONS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Water</u>	<u>Refuse</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services	\$4,302,907	\$1,606,456	\$5,909,363
Other	<u>3,025</u>	<u>0</u>	<u>3,025</u>
Total Operating Revenues	<u>4,305,932</u>	<u>1,606,456</u>	<u>5,912,388</u>
OPERATING EXPENSES:			
Personal Services	1,084,160	0	1,084,160
Contractual Services	3,581,067	1,519,767	5,100,834
Supplies and Materials	79,531	0	79,531
Depreciation	55,764	0	55,764
Refunds	11,604	0	11,604
Other	<u>2,006</u>	<u>1,666</u>	<u>3,672</u>
Total Operating Expenses	<u>4,814,132</u>	<u>1,521,433</u>	<u>6,335,565</u>
Change in Net Position	(508,200)	85,023	(423,177)
Net Position at Beginning of Year - Restated (See Note 3)	<u>1,034,188</u>	<u>722,431</u>	<u>1,756,619</u>
Net Position at End of Year	<u><u>\$525,988</u></u>	<u><u>\$807,454</u></u>	<u><u>\$1,333,442</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, 2018

	<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	\$4,346,853	\$1,644,406	\$5,991,259
Cash Payments for Employee Services and Benefits	(934,032)	0	(934,032)
Cash Payments to Suppliers for Goods and Services	(3,655,344)	(1,511,866)	(5,167,210)
Other Operating Revenues	3,025	0	3,025
Utility Deposits Received	43,100	0	43,100
Utility Deposits Returned	(35,050)	0	(35,050)
Net Cash Provided by (Used for) Operating Activities	(231,448)	132,540	(98,908)
Cash Flows from Noncapital Financing Activities:			
Short-Term Loan from Another Fund	147,710	0	147,710
Net Cash Provided by Noncapital Financing Activities	147,710	0	147,710
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on OPWC Loans	(17,663)	0	(17,663)
Net Cash Provided By Capital and Related Financing Activities	(17,663)	0	(17,663)
Net Increase (Decrease) in Cash and Cash Equivalents	(101,401)	132,540	31,139
Cash and Cash Equivalents at Beginning of Year	227,700	362,075	589,775
Cash and Cash Equivalents at End of Year	<u>\$126,299</u>	<u>\$494,615</u>	<u>\$620,914</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	(\$508,200)	\$85,023	(\$423,177)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	55,764	0	55,764
Changes in Assets and Liabilities:			
Decrease in Deferred Outflows Pension	152,945	0	152,945
Decrease in Deferred Outflows OPEB	22,674	0	22,674
Decrease in Accounts Receivable	43,946	37,950	81,896
Increase in Accounts Payable	18,864	9,567	28,431
Increase in Accrued Wages Payable	10,587	0	10,587
Increase in Intergovernmental Payable	1,750	0	1,750
Decrease in Deferred Inflows Pension	(79,889)	0	(79,889)
Decrease in Deferred Inflows OPEB	(10,361)	0	(10,361)
Increase Payable from Restricted Assets	8,050	0	8,050
Increase in Net Pension Liability	14,029	0	14,029
Increase in Net OPEB Liability	25,795	0	25,795
Increase in Compensated Absences Payable	12,598	0	12,598
Net Cash Provided by (Used for) Operating Activities	<u>(\$231,448)</u>	<u>\$132,540</u>	<u>(\$98,908)</u>

See accompanying notes to the basic financial statements

**CITY OF NORWOOD, OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018**

	<u>Agency</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$3,352,996
Accounts Receivable	<u>1,487,934</u>
Total Assets	<u><u>\$4,840,930</u></u>
LIABILITIES:	
Accounts Payable	\$407,595
Intergovernmental Payable	4,326,661
Undistributed Monies	<u>106,674</u>
Total Liabilities	<u><u>\$4,840,930</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, 2018

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 jointly governed organization, the Ohio Energy Special Improvement District, Inc. (SID) (see Note 19) and one shared risk pool, the Public Entities Pool of Ohio (PEP) (see Note 21). This organization is presented in Note 13 and 21 of the Basic Financial Statements.

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.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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. 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.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Governmental Funds

Governmental funds are those through which most governmental functions of the City 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 purposes 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are 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:

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.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 agency funds. 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.

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.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide Statement of Net Position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 14 and 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, OPEB, 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, 2018, but which were levied to finance 2019 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, and charges for services. 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 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position. (See Notes 14 and 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.

Pensions/Other Postemployment Benefits (OPEB)

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

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

During 2018, the City invested in STAR Ohio. STAROhio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, Certain External Investment Pools and Pool Participants. The City measures their investment in STAROhio at the net asset value (NAV) per share provided by STAROhio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAROhio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as "Cash and Cash Equivalents."

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".

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during 2018 amounted to \$44,771, which includes \$7,777 assigned from other funds.

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.

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.

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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 not.

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.

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.

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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.

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.

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 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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

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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.

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 Positions

Net positions represent 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 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.

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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:

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

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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.

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 PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For 2018, the City also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position.

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GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

	Governmental Activities	Business - Type Activities	
Net Position December 31, 2017	(\$45,904,497)	\$2,196,652	
Adjustments:			
Net OPEB Liability	(22,086,466)	(447,041)	
Deferred Outflow - Payments Subsequent to Measurement Date	92,541	7,008	
Restated Net Position December 31, 2017	<u>(\$67,898,422)</u>	<u>\$1,756,619</u>	

	Water	Refuse	Total Enterprise
Net Position December 31, 2017	\$1,474,221	\$722,431	\$2,196,652
Adjustments:			
Net OPEB Liability	(447,041)	0	(447,041)
Deferred Outflow - Payments Subsequent to Measurement Date	7,008	0	7,008
Restated Net Position December 31, 2017	<u>\$1,034,188</u>	<u>\$722,431</u>	<u>\$1,756,619</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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.

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Fund Balances	General Fund	Debt Service Fund	All Other Governmental Funds	Total
Nonspendable				
Long-Term Advance	\$10,711	\$0	\$8,831	\$19,542
Restricted for				
Community Programs	0	0	24,782	24,782
Court Program	0	0	37,394	37,394
Park and Recreation	0	0	41,058	41,058
Capital Outlay	0	0	797,327	797,327
Road Improvements	0	0	150,211	150,211
Transportation	0	0	623,670	623,670
Fire	0	0	78,541	78,541
Police	0	0	102,730	102,730
Economic Developments	0	0	6,063	6,063
Paycor	0	0	1,647,273	1,647,273
Health Programs	0	0	223,300	223,300
Debt Service	0	1,768,818	0	1,768,818
Indigent Driver	0	0	180	180
<i>Total Restricted</i>	<u>0</u>	<u>1,768,818</u>	<u>3,732,529</u>	<u>5,501,347</u>
Committed to				
Purchases on Order	0	0	5,000	5,000
Assigned to				
Other Purposes	275,465	0	0	275,465
Unassigned:	2,629,238	0	0	2,629,238
<i>Total Fund Balances</i>	<u>\$2,915,414</u>	<u>\$1,768,818</u>	<u>\$3,746,360</u>	<u>\$8,430,592</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:

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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).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (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

	<u>General</u>
GAAP Basis	\$3,106,769
Revenue Accruals	(392,229)
Expenditure Accruals	362,275
Encumbrances	(292,050)
Budget Basis	\$2,784,765

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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security

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for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. 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 including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy 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.

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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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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.

Investments

Investments are reported at fair value. As of December 31, 2018, the City had the following investments:

<u>Measurement/ Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Rating</u>	<u>Percent of Total Investments</u>
Net Asset Value per Share: STAROhio	\$3,664,432	44.9 Days	N/A	N/A

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. The above chart identifies the City's recurring fair value measurements as of December 31, 2018.

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.

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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 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes were levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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.

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. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was \$11.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Real Property	\$221,765,060
Public Utility Personal Property	<u>21,647,370</u>
Total	<u><u>\$243,412,430</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, 2018, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2018 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.

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NOTE 9 - RECEIVABLES

Receivables at December 31, 2018, consisted of accounts, property taxes, municipal income taxes, revenue 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 revenue in lieu of taxes. Property, income taxes, and revenue 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	\$93,831
Local Government	166,067
Gasoline Excise Tax	259,186
Motor Vehicle License Tax	<u>42,453</u>
Total Intergovernmental Receivable	<u><u>\$561,537</u></u>

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 – revenue in lieu of taxes.

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NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 12/31/2017	Additions	Deletions	Balance at 12/31/2018
<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	278,852	0	4,907,144
Furniture, Fixtures and Equipment	3,595,330	188,173	0	3,783,503
Infrastructure	18,489,458	0	0	18,489,458
Total Capital Assets Being Depreciated	<u>32,909,118</u>	<u>467,025</u>	<u>0</u>	<u>33,376,143</u>
Less Accumulated Depreciation				
Buildings	(2,737,940)	(56,415)	0	(2,794,355)
Land Improvements	(1,048,820)	(10,946)	0	(1,059,766)
Vehicles	(3,778,974)	(118,718)	0	(3,897,692)
Furniture, Fixtures and Equipment	(2,190,205)	(123,839)	0	(2,314,044)
Infrastructure	(10,492,718)	(351,629)	0	(10,844,347)
Total Accumulated Depreciation	<u>(20,248,657)</u>	<u>(661,547)</u>	<u>0</u>	<u>(20,910,204)</u>
Total Capital Assets Being Depreciated, Net	<u>12,660,461</u>	<u>(194,522)</u>	<u>0</u>	<u>12,465,939</u>
Governmental Activities Capital Assets, Net	<u>\$25,566,607</u>	<u>(\$194,522)</u>	<u>\$0</u>	<u>\$25,372,085</u>

Depreciation expense was charged to governmental programs as follows:

<u>Governmental Activities</u>	
General Government	\$89,652
Security of Persons and Property:	
Police	86,877
Fire	106,328
Public Health Services	2,781
Leisure Time Services	38,946
Intergovernmental	26,563
Community and Economic Development	577
Transportation	309,823
Total Depreciation Expense	<u>\$661,547</u>

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	Balance 12/31/17	Additions	Deletions	Balance at 12/31/18
<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	3,919,984	0	0	3,919,984
Less Accumulated Depreciation				
Buildings	(55,343)	(113)	0	(55,456)
Vehicles	(163,198)	0	0	(163,198)
Furniture, Fixtures and Equipment	(134,717)	0	0	(134,717)
Infrastructure	(1,796,127)	(55,651)	0	(1,851,778)
Total Accumulated Depreciation	(2,149,385)	(55,764)	0	(2,205,149)
Business-Type Activities, Net	\$1,770,599	(\$55,764)	\$0	\$1,714,835

NOTE 11 - LONG-TERM DEBT

A schedule of changes in bonds and other long-term obligations of the governmental activities of the City during 2018 follows:

Types/Issues	Restated Balance 12/31/17	Increases	Decreases	Balance 12/31/18	Due Within One Year
<u>General Obligation Refunding Bonds:</u>					
General Obligation Refunding Bonds					
2006 - 4.48% - \$6,545,752	\$1,222,508	\$0	\$292,735	\$929,773	\$292,735
<u>Long Term Note:</u>					
Paycor Note 2015 - 5.00% - \$3,607,719	3,391,409	0	94,284	3,297,125	99,057
<u>Special Assessment Bond:</u>					
Central Park Special Assess. Bond 2017 - 6% - \$2,655,000	2,655,000	0	20,000	2,635,000	20,000
<u>Tax Increment Financing Bonds:</u>					
Tax Increment Financing Bonds					
2006 - 4%-5.75% - \$12,500,000	9,970,000	0	405,000	9,565,000	430,000
Discount on Debt Issue	(102,960)	0	(7,355)	(95,605)	0
Linden Pointe Tax Increment Financing					
Bonds 2010 - 5%-7% - \$3,595,000	3,345,000	0	60,000	3,285,000	60,000
Tax Increment Financing Bonds 2013 -					
6.00%-7.00% - \$7,050,000	6,945,000	0	115,000	6,830,000	120,000
Discount on Debt Issue	(70,795)	0	(2,723)	(68,072)	0
Rookwood Exchange TIF Bonds - 6.50%					
2015 - \$20,350,000	19,780,000	0	315,000	19,465,000	340,000
Total Tax Increment Financing Bonds	\$39,866,245	\$0	\$884,922	\$38,981,323	\$950,000

(continued)

CITY OF NORWOOD
Hamilton County, Ohio
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For the Year Ended December 31, 2018

Types/Issues	Restated Balance 12/31/17	Increases	Decreases	Balance 12/31/18	Due Within One Year
<u>OPWC Loans:</u>					
OPWC Loan - Resurface					
Williams Ave 2003 - 0% - \$247,090	\$80,308	\$0	\$12,354	\$67,954	\$12,354
OPWC Loan - Montgomery Rd					
Phase II 2003 - 0% - \$623,255	218,140	0	31,163	186,977	31,163
OPWC Loan Beech Street Improv.					
2016 - 0% - \$20,420	19,740	0	680	19,060	680
OPWC Loan - Williams Avenue					
2017 - 0% - \$165,000	165,000	0	5,500	159,500	5,500
OPWC Loan - Hunter Ave. Improv.					
2017 - 0% - \$100,000	100,000	0	3,333	96,667	3,333
Total OPWC Loans	<u>583,188</u>	<u>0</u>	<u>53,030</u>	<u>530,158</u>	<u>53,030</u>
<u>Other Long-Term Obligations:</u>					
Capital Leases	688,891	458,770	138,930	1,008,731	152,149
2.12% Police & Fire Pension	1,841,499	0	73,000	1,768,499	76,135
Compensated Absences	3,322,543	729,600	711,355	3,340,788	595,396
Total Other Long-Term Obligations	<u>5,852,933</u>	<u>1,188,370</u>	<u>923,285</u>	<u>6,118,018</u>	<u>823,680</u>
<u>Net Pension Liability:</u>					
OP&F	27,085,212	0	3,435,156	23,650,056	0
OPERS	4,071,870	0	1,280,024	2,791,846	0
Total Net Pension Liability	<u>31,157,082</u>	<u>0</u>	<u>4,715,180</u>	<u>26,441,902</u>	<u>0</u>
<u>Net OPEB Liability:</u>					
OP&F	20,298,302	1,534,522	0	21,832,824	0
OPERS	1,788,164	114,379	0	1,902,543	0
Total Net OPEB Liability	<u>22,086,466</u>	<u>1,648,901</u>	<u>0</u>	<u>23,735,367</u>	<u>0</u>
Total Governmental Activities	<u>\$106,814,831</u>	<u>\$2,837,271</u>	<u>\$6,983,436</u>	<u>\$102,668,666</u>	<u>\$2,238,502</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.

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.

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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.

During 2017, the City entered into a loan agreement with the Ohio Public Works Commission for the Beech Street Improvement project. This is an interest free, 30 year loan and the maturity date is July 1, 2046. The OPWC is paid for by Permissive Tax collections.

During 2017, the City entered into a loan agreement with the Ohio Public Works Commission for the Williams Avenue project. This is an interest free, 30 year loan and the maturity date is July 1, 2047. The OPWC is paid for by Permissive Tax collections.

During 2017, the City entered into a loan agreement with the Ohio Public Works Commission for the Hunter Avenue Improvement project. This is an interest free, 30 year loan and the maturity date is July 1, 2047. The OPWC is paid for by Permissive Tax collections.

In 2017, the City issued Central Park Special Assessment Bonds. 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 "Central Park Bond". 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.

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.

There is no repayment schedule for the net pension/OPEB liability. However, employer pension/OPEB contributions are made from the following funds: General Fund, Transportation Fund, and Health Fund. For additional information related to the net pension and net OPEB liabilities see Notes 14 and 15.

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 For the Year Ended December 31, 2018

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.

Changes in the long-term obligations reported in business-type activities of the City during 2018 were as follows:

Business-Type Activities

<u>Types/Issues</u>	<u>Restated Balance 12/31/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/18</u>	<u>Due Within One Year</u>
2009 OPWC Smith Road					
Waterline - 0% \$529,890	\$415,081	\$0	\$17,663	\$397,418	\$17,663
Compensated Absences	102,876	42,675	30,077	115,474	29,422
Net Pension Liability - OPERS	1,017,968	0	320,004	697,964	0
Net OPEB Liability - OPERS	447,041	28,595	0	475,636	0
Total	<u>\$1,982,966</u>	<u>\$71,270</u>	<u>\$367,744</u>	<u>\$1,686,492</u>	<u>\$47,085</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.

Compensated absences will be paid from the Water Fund. There is no repayment schedule for the net pension/OPEB liability. However, employer pension/OPEB contributions are made from the Water Fund. For additional information related to the net pension and net OPEB liabilities see Notes 14 and 15.

As of December 31, 2018, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$28,215,396 and the unvoted debt margin was \$16,044,775.

Annual Long-Term Debt Requirements

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

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Year	Note		Governmental Activities			Various Purpose Bonds	
	Principal	Interest	OPWC Loans	Tax Increment Financing Bonds		Principal	Interest
2019	\$99,057	\$163,633	\$53,030	\$950,000	\$2,717,541	\$292,735	32,103
2020	104,071	158,619	\$53,031	1,015,000	2,656,366	292,735	18,345
2021	109,340	153,350	\$53,031	1,130,000	2,591,141	344,303	4,856
2022	114,876	147,815	\$53,031	1,210,000	2,516,076	0	0
2023	120,691	141,999	\$53,031	1,280,000	2,435,841	0	0
2024-2028	701,531	611,920	84,910	8,230,000	10,735,854	0	0
2029-2033	898,019	415,432	47,570	9,375,000	7,589,222	0	0
2034-2038	1,149,540	163,910	47,570	8,935,000	4,534,913	0	0
2039-2043	0	0	47,570	7,020,000	1,150,300	0	0
2044-2047	0	0	37,368	0	0	0	0
Totals	<u>\$3,297,125</u>	<u>\$1,956,678</u>	<u>\$530,142</u>	<u>\$39,145,000</u>	<u>\$36,927,254</u>	<u>\$929,773</u>	<u>\$55,304</u>

Year	Governmental Activities Pension Liability - Special Assessment Bond		Governmental Activities Police and Fire Past Service Liability		Business Type Activities OPWC Loans
	Principal	Interest	Principal	Interest	Principal
2019	\$20,000	\$158,100	\$76,135	\$74,361	\$17,663
2020	20,000	156,900	79,405	71,090	17,663
2021	25,000	155,700	82,816	67,680	17,663
2022	30,000	154,200	86,373	64,123	17,663
2023	30,000	152,400	90,083	60,413	17,663
2024-2028	230,000	727,800	511,885	240,594	88,315
2029-2033	355,000	645,000	631,674	120,805	88,315
2034-2038	530,000	518,700	210,128	8,851	88,315
2039-2043	780,000	331,800	0	0	44,158
2044-2047	615,000	75,600	0	0	0
Totals	<u>\$2,635,000</u>	<u>\$3,076,200</u>	<u>\$1,768,499</u>	<u>\$707,917</u>	<u>\$397,418</u>

NOTE 12 - LEASES - LESSEE DISCLOSURE

During 2018, the City entered into capital leases for various types of equipment and vehicles. 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.

CITY OF NORWOOD
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Capital assets acquired by leases have been capitalized in the Statement of Net Position for governmental activities in the amount of \$1,813,697. A corresponding liability was recorded on the Statement of Net Position for governmental activities. Principal payments in 2018 totaled \$138,930.

The assets acquired through capital leases are as follows:

Asset	Asset Value	Accum. Depr.	Net Book Value Dec. 31, 2018
Vehicles	\$1,587,895	\$862,857	\$725,038
Furniture, Fixtures, and Equipment	225,802	124,191	101,611
Total	<u>\$1,813,697</u>	<u>\$987,048</u>	<u>\$826,649</u>

The following is a schedule of future minimum payments on capital leases and the present value of the minimum lease payments at December 31, 2018:

Year	Governmental Activities
2019	\$249,598
2020	234,350
2021	219,102
2022	219,102
2023	139,393
2024	30,636
2025	30,636
Total Minimum Lease Payments	1,122,816
Less: Amount Representing Interest	(114,085)
Present Value of Minimum Lease Payments	<u>\$1,008,731</u>

NOTE 13 - 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 Worker's Compensation.

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. 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 also 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.

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Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

<u>Casualty and Property Coverage</u>	<u>2017</u>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Assets - Unrestricted	<u><u>\$31,448,315</u></u>

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government's share of these unpaid claims collectible in future years is approximately \$129,000.

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.

<u>Contributions to PEP</u>	<u>Amount</u>
2016	\$182,973
2017	\$204,250
2018	\$190,095

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. 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.

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NOTE 14 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability (Asset) /Net OPEB Liability

The net pension liability (asset) and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liability (asset) represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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 these estimates 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 and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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The proportionate share of each plan's unfunded benefits is presented as a net pension/OPEB asset or a long-term net pension/OBEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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 in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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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
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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 traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select

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one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee *	10.0%
 2018 Actual Contribution Rates	
Employer:	
Pension **	14.0%
Post-employment Health Care Benefits **	0.0%
Total Employer	14.0%
Employee	10.0%

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2018, the City's contractually required contribution was \$428,715 for the traditional plan and \$18,688 for the member-directed plan. Of these amounts, \$50,629 is reported as an intergovernmental payable for the traditional plan and \$2,209 for the member-directed plan. The City did not make any contributions to the combined plan during 2018.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F 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. OP&F issues a publicly available financial report that includes financial information and required supplementary

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information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F 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 OP&F may retire and receive a lifetime monthly pension. OP&F 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.

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 (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F 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, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

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	<u>Police</u>	<u>Firefighters</u>
2018 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2018 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>19.50%</u>	<u>24.00%</u>
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,731,489 for 2017. Of this amount, \$213,129 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2018, the specific liability of the City was \$1,768,499 payable in semi-annual payments through the year 2035.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability (asset) 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 of the City's defined benefit pension plans:

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	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.02224500%	0.00685300%	0.38534000%	
Prior Measurement Date	0.02241400%	0.00745400%	0.42762300%	
Change in Proportionate Share	<u>-0.00016900%</u>	<u>-0.00060100%</u>	<u>-0.04228300%</u>	
Proportionate Share of the:				
Net Pension Liability	\$3,489,810	\$0	\$23,650,056	\$27,139,866
Net Pension Asset	0	9,330	0	9,330
Pension Expense	675,003	(6,185)	3,683,505	4,352,323

2018 pension expense for the member-directed defined contribution plan was \$18,688.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources:				
Differences between expected and actual experience	\$3,564	\$0	\$358,906	\$362,470
Changes of assumptions	417,056	816	1,030,558	1,448,430
Changes in proportion and differences between City contributions and proportionate share of contributions	28,410	291	1,362,429	1,391,130
City contributions subsequent to the measurement date	428,715	0	1,731,489	2,160,204
Total Deferred Outflows of Resources	<u>\$877,745</u>	<u>\$1,107</u>	<u>\$4,483,382</u>	<u>\$5,362,234</u>
Deferred Inflows of Resources:				
Differences between expected and actual experience	\$68,773	\$2,780	\$42,784	\$114,337
Net difference between projected and actual earnings on pension plan investments	749,216	1,472	818,110	1,568,798
Changes in proportion and differences between City contributions and proportionate share of contributions	132,599	0	2,665,767	2,798,366
Total Deferred Inflows of Resources	<u>\$950,588</u>	<u>\$4,252</u>	<u>\$3,526,661</u>	<u>\$4,481,501</u>

\$2,160,204 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 or increase to the net pension asset in 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Year Ending December 31:	OPERS	OPERS	OP&F	Total
	Traditional Plan	Combined Plan		
2019	\$224,113	(\$433)	\$479,973	\$703,653
2020	(87,892)	(473)	264,885	176,520
2021	(329,915)	(803)	(582,482)	(913,200)
2022	(307,864)	(768)	(767,864)	(1,076,496)
2023	0	(252)	(139,471)	(139,723)
Thereafter	0	(416)	(29,809)	(30,225)
Total	<u>(\$501,558)</u>	<u>(\$3,145)</u>	<u>(\$774,768)</u>	<u>(\$1,279,471)</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, 2017, 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 valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled

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mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

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 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00% %	22.00%
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	<u>100.00% %</u>	<u>5.66%</u>

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Discount Rate The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. 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 contractually required rates, as actuarially determined. 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 (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	\$6,197,012	\$3,489,810	\$1,232,818
OPERS Combined Plan	(5,071)	(9,330)	(12,267)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F'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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented as follows.

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	<u>January 1, 2017</u>	<u>January 1, 2016</u>
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

For the January 1, 2016 valuation, rates of death were 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 for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

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 expected. 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

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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 OP&F's target asset allocation as of December 31, 2017, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00%	0.00%
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	<u>120.00%</u>	

Note: Assumptions are geometric.

* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F'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 For 2017, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 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 8.00 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 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

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	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$32,785,179	\$23,650,056	\$16,199,527

NOTE 15 - DEFINED BENEFIT OPEB PLANS

See Note 14 for a description of the net OPEB liability

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension 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 a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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 75. 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

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OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, 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.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS 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 employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution was \$5,339 for 2018. Of this amount, \$631 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F 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 OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to

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eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F 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 OP&F 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 OP&F 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, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. 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 OP&F 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.

The City's contractually required contribution to OP&F was \$40,279 for 2018. Of this amount, \$4,983 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.02190000%	0.38534000%	
Prior Measurement Date	0.02213000%	0.42762300%	
Change in Proportionate Share	<u>-0.00023000%</u>	<u>-0.04228300%</u>	
			<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$2,378,179	\$21,832,824	\$24,211,003
OPEB Expense	\$195,876	\$1,500,704	\$1,696,580

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$1,853	\$0	\$1,853
Changes of assumptions	173,157	2,130,419	2,303,576
City contributions subsequent to the measurement date	5,339	40,279	45,618
Total Deferred Outflows of Resources	<u>\$180,349</u>	<u>\$2,170,698</u>	<u>\$2,351,047</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$0	\$110,116	\$110,116
Net difference between projected and actual earnings on OPEB plan investments	177,158	143,713	320,871
Changes in proportion and differences between City contributions and proportionate share of contributions	15,717	1,778,260	1,793,977
Total Deferred Inflows of Resources	<u>\$192,875</u>	<u>\$2,032,089</u>	<u>\$2,224,964</u>

\$45,618 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of

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the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2019	\$31,868	(\$541)	\$31,327
2020	31,868	(541)	31,327
2021	(37,313)	(541)	(37,854)
2022	(44,288)	(541)	(44,829)
2023	0	35,387	35,387
Thereafter	0	65,107	65,107
Total	<u>(\$17,865)</u>	<u>\$98,330</u>	<u>\$80,465</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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality

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improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	18.80%
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00%	4.98%

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$3,159,513	\$2,378,179	\$1,746,087

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 Hamilton County, Ohio
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Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	Current Health Care Cost Trend Rate		
	1% Decrease	Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$2,275,410	\$2,378,179	\$2,484,336

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the

CITY OF NORWOOD
 Hamilton County, Ohio
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employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14

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Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$27,291,294	\$21,832,824	\$17,632,733

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	(0.47%)	(2.50%)	4.50%	(0.47%)	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

CITY OF NORWOOD
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To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	<u>1% Decrease</u>	<u>Current Rates</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$16,960,131	\$21,832,824	\$28,399,567

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

NOTE 16 - 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.

CITY OF NORWOOD
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 17 - CITY ADMINISTERED OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City terminated the single-employer defined benefit other post-employment benefit (OPEB) healthcare plan, the C-9 Trust on December 31, 2018.

NOTE 18 - INTERFUND ACTIVITY

The interfund receivable as of December 31, 2018 is \$147,710 and is the result of the General Fund having loaned the Water Fund cash. A receivable/payable is presented for reporting purposes.

The General Fund advanced monies to the Parks Fund, the outstanding balance is \$10,711. The Permissive Tax fund advance monies to the Water Fund, the outstanding balance is \$8,831.

NOTE 19 - JOINTLY GOVERNED ORGANIZATION

The City participates in the Ohio Energy Special Improvement District, Inc. (SID), a 501(c)(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 Mayor of the City of Norwood, Ohio.

NOTE 20 - 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, 2018 to December 31, 2018, 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.

CITY OF NORWOOD
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 21 - 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.

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, 10100 Innovation Drive, Dayton, Ohio, 45342.

NOTE 22 - 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 was approved by the City on July 5, 2017. The last amended recovery plan is dated March 27, 2019.

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 Five Years (1)

	2018	2017	2016
City's Proportion of the Net Pension Liability	0.02224500%	0.02241400%	0.02444100%
City's Proportionate Share of the Net Pension Liability	\$3,489,810	\$5,089,838	\$4,233,490
City's Covered Payroll	\$2,938,277	\$2,901,125	\$3,039,567
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.77%	175.44%	139.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%

(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.

2015	2014
0.02393400%	0.02393400%
\$2,886,707	\$2,821,507
\$2,934,125	\$3,177,538
98.38%	88.80%
86.45%	86.36%

City of Norwood, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Liability
Ohio Public Employees Retirement System - Combined Plan
2018 (1)

	<u>2018</u>
City's Proportion of the Net Pension Liability	0.006853%
City's Proportionate Share of the Net Pension Asset	\$9,330
City's Covered Payroll	\$28,062
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-33.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

Amounts presented for each year were determined 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 OPEB Liability
Ohio Public Employees Retirement System - OPEB Plan
Last Two Years (1)

	2018	2017
City's Proportion of the Net OPEB Liability	0.0219000%	0.0221300%
City's Proportionate Share of the Net OPEB Liability	\$2,378,179	\$2,235,205
City's Covered Payroll	\$3,100,689	\$3,062,967
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.70%	72.98%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each year were determined 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 Five Years (1)

	2018	2017	2016
City's Proportion of the Net Pension Liability	0.38534000%	0.42762300%	0.44499400%
City's Proportionate Share of the Net Pension Liability	\$23,650,056	\$27,085,212	\$28,626,776
City's Covered Payroll	\$12,902,347	\$8,632,814	\$6,367,270
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	183.30%	313.75%	449.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%

(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.

2015	2014
0.39166280%	0.39166280%
\$20,289,766	\$19,075,207
\$7,696,906	\$5,493,037
263.61%	347.26%
71.71%	73.00%

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.3853400%	0.4276230%
City's Proportionate Share of the Net OPEB Liability	\$21,832,824	\$20,298,302
City's Covered Payroll	\$12,902,347	\$8,632,814
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	169.22%	235.13%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each year were determined 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 Contributions
Ohio Public Employees Retirement System
Last Six Years (1)(2)

	2018	2017	2016
Net Pension Liability - Traditional Plan			
Contractually Required Contribution	\$428,715	\$381,976	\$348,135
Contributions in Relation to the Contractually Required Contribution	<u>(428,715)</u>	<u>(381,976)</u>	<u>(348,135)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$3,062,250	\$2,938,277	\$2,901,125
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>
Net Pension Liability - Combined Plan			
Contractually Required Contribution	\$0	\$3,648	\$3,482
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>(3,648)</u>	<u>(3,482)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$0	\$28,062	\$29,017
Pension Contributions as a Percentage of Covered Payroll	<u>#DIV/0!</u>	<u>13.00%</u>	<u>12.00%</u>
Net OPEB Liability - OPEB Plan			
Contractually Required Contribution	\$5,339	\$35,037	\$63,916
Contributions in Relation to the Contractually Required Contribution	<u>(5,339)</u>	<u>(35,037)</u>	<u>(63,916)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (3)	\$3,195,725	\$3,100,689	\$3,062,967
OPEB Contributions as a Percentage of Covered Payroll	<u>0.17%</u>	<u>1.13%</u>	<u>2.09%</u>

- (1) Information prior to 2013 is not available for traditional plan. Information prior to 2016 is not available for the combining plan.
- (2) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
- (3) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

<u>2015</u>	<u>2014</u>	<u>2013</u>
\$364,748	\$352,095	\$413,080
<u>(364,748)</u>	<u>(352,095)</u>	<u>(413,080)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,039,567	\$2,934,125	\$3,177,538
<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$1,731,489	\$2,760,003	\$1,836,799	\$1,356,782
Contributions in Relation to the Contractually Required Contribution	<u>(1,731,489)</u>	<u>(2,760,003)</u>	<u>(1,836,799)</u>	<u>(1,356,782)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$8,055,832	\$12,902,347	\$8,632,814	\$6,367,270
Pension Contributions as a Percentage of Covered Payroll	<u>21.49%</u>	<u>21.39%</u>	<u>21.28%</u>	<u>21.31%</u>
Net OPEB Liability				
Contractually Required Contribution	\$40,279	\$64,512	\$43,164	\$31,836
Contributions in Relation to the Contractually Required Contribution	<u>(40,279)</u>	<u>(64,512)</u>	<u>(43,164)</u>	<u>(31,836)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.99%</u>	<u>21.89%</u>	<u>21.78%</u>	<u>21.81%</u>

(1) The City's Covered payroll is the same for Pension and OPEB.

2014	2013	2012	2011	2010	2009
\$1,639,083	\$982,759	\$1,297,224	\$1,358,372	\$1,379,918	\$1,456,693
<u>(1,639,083)</u>	<u>(982,759)</u>	<u>(1,297,224)</u>	<u>(1,358,372)</u>	<u>(1,379,918)</u>	<u>(1,456,693)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,696,906	\$5,493,037	\$8,610,736	\$9,054,786	\$9,214,359	\$9,726,711
<u>21.30%</u>	<u>17.89%</u>	<u>15.07%</u>	<u>15.00%</u>	<u>14.98%</u>	<u>14.98%</u>
\$38,484	\$198,665	\$581,225	\$611,198	\$621,969	\$656,553
<u>(38,484)</u>	<u>(198,665)</u>	<u>(581,225)</u>	<u>(611,198)</u>	<u>(621,969)</u>	<u>(656,553)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>	<u>6.75%</u>	<u>6.75%</u>	<u>6.75%</u>
<u>21.80%</u>	<u>21.51%</u>	<u>21.82%</u>	<u>21.75%</u>	<u>21.73%</u>	<u>21.73%</u>

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	<u>December 31, 2017</u>	<u>December 31, 2016 and Prior</u>
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates 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.

Changes in Assumptions – OP&F Pension

Amounts reported for 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are as follows:

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

	2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported for 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68-77	105	87
78 and up	115	120

Amounts reported for 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60	45
70-79	75	70
80 and up	100	90

Amounts reported for 2017 and prior use valuation, rates of death were 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.

CITY OF NORWOOD
Hamilton County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

Changes in Assumptions – OPERS OPEB

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions – OP&F OPEB

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

**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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 22, 2019, wherein we noted that the City is in Fiscal Emergency.

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 2018-001 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-001.

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

July 22, 2019

City of Norwood, Ohio
Schedule of Findings
For the Year Ended December 31, 2018

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

Finding Number 2018-001

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, 2018, there was a negative cash fund balance for the Water Fund of \$186,130. 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.

The Water Fund experienced significant reductions in GAAP-basis fund balance and cash balances during 2018. 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, 2018

Finding Number	Description	Status	Comments
<i>Government Auditing Standards:</i>			
2017-001	Ohio Admin. Code 117-02-02 (C) (1) – Integration of budgetary accounts	Corrected	N/A
2017-002	Ohio Revised Code § 5705.10 – Negative cash fund balance	Not Corrected	Reissued as Finding 2018-001

OHIO AUDITOR OF STATE KEITH FABER



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
SEPTEMBER 17, 2019**