

CITY OF MACEDONIA

Summit County, Ohio



*Welcome to the City of Macedonia, Ohio
The Crossroad of Northeast Ohio*

Basic Financial Statements

December 31, 2016



Dave Yost • Auditor of State

City Council
City of Macedonia
9691 Valley View Road
Macedonia, Ohio 44056

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

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

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

Dave Yost
Auditor of State

August 10, 2017

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INDEPENDENT AUDITORS' REPORT

City of Macedonia
Summit County
9691 Valley View Road
Macedonia, Ohio 44056

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Macedonia (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2016, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund, Street Construction, Maintenance and Repair Fund, and Family Recreation Center Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension liabilities, and pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That 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.

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
Cincinnati, Ohio
June 22, 2017

City of Macedonia
Summit County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

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

Financial Highlights

Key financial highlights for 2016 are:

- City income tax revenue totaled \$8,254,864. This is an increase of \$185,756 or 2.3 percent from 2015. The City has a 2.00 percent municipal income tax on substantially all income earned within the City.
- Total assets decreased by \$2,080,554, a 3.1 percent decrease from 2015.
- Total net position decreased by \$1,785,185, a 3.7 percent decrease from 2015.
- Total capital assets, net of depreciation decreased \$2,180,744, a 4.0 percent decrease from 2015.
- Total outstanding long-term liabilities increased \$2,074,831, a 11.1 percent increase from 2015.
- The total governmental fund balances for the City increased from \$7,050,166 to \$7,730,265. The general fund ended the year with a fund balance of \$4,359,016.

Using This Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City of Macedonia as a financial whole or as an entire operating entity. The statements provide an increasingly detailed look at our specific financial condition.

The *statement of net position* and *statement of activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of Macedonia as a Whole

Statement of Net Position and Statement of Activities

This document contains information about the funds used by the City to provide services to our citizens. The *statement of net position* and the *statement of activities* answer the question, "How did the City do financially during 2016?" These statements include all assets and liabilities and deferred outflows of resources and deferred inflows of resources, except fiduciary funds, using the accrual basis of accounting similar to the accounting method used by the private sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

City of Macedonia
Summit County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

These two statements report the City's net position and the changes in net position. The changes in net position are important because it tells the reader whether the financial position of the City as a whole has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

The *statement of net position* and the *statement of activities* are divided into the following categories:

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position (Assets plus Deferred Outflows of Resources minus Liabilities and Deferred Inflows of Resources)
- Program Revenue and Expenses
- General Revenues
- Net Position Beginning of Year and Year's End

Reporting the City of Macedonia's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds to account for the services, facilities and infrastructure provided to its residents. These fund financial statements focus on the City's most significant funds. In the case of the City of Macedonia, the major funds are the general fund, street construction, maintenance and repair fund, the family recreation center fund, and the special assessment bond retirement fund.

Governmental Funds

Most of the City's activities are reported in the governmental funds. Governmental funds are reported using an accounting method called modified accrual accounting. The modified accrual accounting method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer 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.

Fiduciary Funds

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

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages later in this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability. The required supplementary information can be found later in this report.

The City of Macedonia as a Whole

The statement of net position provides the perspective of the City as a whole. Table 1 below provides a summary of the City's net position at December 31, 2016 and December 31, 2015.

	<u>2016</u>	<u>2015</u>	<u>Change</u>
<u>Assets</u>			
Current assets	\$ 14,246,042	\$ 14,145,852	\$ 100,190
Capital assets, net	51,689,068	53,869,812	(2,180,744)
Total assets	65,935,110	68,015,664	(2,080,554)
<u>Deferred outflows of resources</u>			
Unamortized deferred charges	-	9,406	(9,406)
Pension	3,731,416	1,408,022	2,323,394
Total deferred outflows of resources	3,731,416	1,417,428	2,313,988
<u>Liabilities</u>			
Current liabilities	585,490	1,011,919	(426,429)
Long-term liabilities:			
Due within one year	904,366	1,630,878	(726,512)
Net pension liability	12,791,237	9,787,559	3,003,678
Other amounts	7,103,716	7,306,051	(202,335)
Total liabilities	21,384,809	19,736,407	1,648,402
<u>Deferred inflows of resources</u>			
Property and income taxes	2,263,285	1,947,163	316,122
Pension	103,429	49,334	54,095
Total deferred inflows of resources	2,366,714	1,996,497	370,217
<u>Net Position</u>			
Net investment in capital assets	44,704,292	45,700,052	(995,760)
Restricted	2,345,562	2,872,542	(526,980)
Unrestricted (deficit)	(1,134,851)	(872,406)	(262,445)
Total net position	\$ 45,915,003	\$ 47,700,188	\$(1,785,185)

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The largest portion of the City's net position (97.36 percent) is investments in capital assets (e.g. land, right of ways, construction in progress, buildings and improvements, machinery and equipment, vehicles, and infrastructure), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Total assets and deferred outflows of resources increased \$233,434 from 2015 to 2016. The City's total liabilities and deferred inflows of resources increased \$2,018,619 for the same period. The change in current assets can be attributed to the increase in deferred outflows of resources related to pension.

Table 2 below shows the changes in net position for fiscal years 2016 and 2015.

Table 2
Change in Net Position

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>	<u>Change</u>
Revenues			
Program revenues:			
Charges for services	\$ 3,500,002	\$ 3,543,630	\$ (43,628)
Operating grants and contributions	739,998	809,587	(69,589)
Capital grants and contributions	<u>299,479</u>	<u>1,007,866</u>	<u>(708,387)</u>
Total program revenues	<u>4,539,479</u>	<u>5,361,083</u>	<u>(821,604)</u>
General revenues:			
Property taxes	2,287,065	2,257,570	29,495
Payment in Lieu of Taxes	603,429	529,215	74,214
Income taxes	8,254,864	8,069,108	185,756
Unrestricted grants and entitlements	512,692	610,752	(98,060)
Investment earnings	29,125	21,294	7,831
Miscellaneous	<u>584,358</u>	<u>42,221</u>	<u>542,137</u>
Total general revenues	<u>12,271,533</u>	<u>11,530,160</u>	<u>741,373</u>
Total revenues	<u>16,811,012</u>	<u>16,891,243</u>	<u>(80,231)</u>
Expenses:			
General government	2,610,020	2,509,887	100,133
Public safety	7,337,784	6,718,132	619,652
Community development	1,096,468	1,065,043	31,425
Leisure time activity	2,251,320	1,762,479	488,841
Transportation and street repair	4,334,376	4,102,957	231,419
Basic utility services	516,629	512,059	4,570
Public health and welfare	223,870	191,744	32,126
Interest and other charges	<u>225,730</u>	<u>251,681</u>	<u>(25,951)</u>
Total expenses	<u>18,596,197</u>	<u>17,113,982</u>	<u>1,482,215</u>
Change in net position	(1,785,185)	(222,739)	(1,562,446)
Net position at beginning of year	<u>47,700,188</u>	<u>47,922,927</u>	<u>(222,739)</u>
Net position at end of year	<u>\$ 45,915,003</u>	<u>\$ 47,700,188</u>	<u>\$ (1,785,185)</u>

Governmental Activities

The City's net position for governmental activities decreased \$1,785,185 during 2016. Table 2 indicates total revenues decreased by \$80,231. At the same time program expenses increased by \$1,482,215. The decrease in revenue is primarily a result of decrease in capital grants.

Several types of revenues fund our governmental activities. With the City, income tax is a major revenue source. The income tax rate was 2.00 percent for 2016. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 2.00 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

Total program revenues for 2016 decreased by \$821,604. Operating grants and contributions decreased \$69,589, capital grants and contributions decreased \$708,387 and charges for services and sales decreased \$43,628.

Total general revenues for 2016 increased by \$741,373 compared to 2015. This increase is largely due to the increase in miscellaneous revenues for 2016. The miscellaneous revenues for 2016 were \$584,358. Of the \$16,811,012 in total revenues, income tax accounts for 49.10 percent of the total governmental revenues. Property taxes for 2016 were \$2,287,065.

During 2016, the City experienced a 8.66 percent increase in its program expenses. The largest program function for the City normally relates to public safety expenses. Public safety expenses increased 9.22 percent in 2016. General government expenses which account for the basic operations of the City including council, mayor, finance, law, purchasing, civil service, engineering, and building maintenance among other departments and services, had expenses of \$2,610,020 for 2016.

The City's Funds

The City of Macedonia uses fund accounting as mandated by governmental legal requirements. The importance of accounting and reporting using this method is to demonstrate compliance with these finance related requirements.

Governmental Funds

These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$19,122,283 and expenditures and other financing uses of \$18,555,980. Income tax is the City's largest revenue source.

The largest fund for the City is the general fund. The year-end fund balance for the general fund was \$4,359,016 on a modified accrual basis. This is an increase of \$858,438 from the 2015 ending balance.

The street construction, maintenance and repair fund ended the year with a fund balance of \$378,951. This is a decrease of \$213,461 from the year-end balance in 2015.

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The family recreation center fund ended the year with a fund balance of \$1,387,521. This is an increase of \$27,680 from the year-end balance in 2015.

The special assessment bond retirement fund ended the year with a fund balance of \$141,795. This is a decrease of \$3,717 from the year-end balance in 2015.

For all governmental funds, the end of year balances decreased \$104,621 from \$1,567,603 in 2015 to \$1,462,982 in 2016.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. Recommendations and requests for budget changes are referred to the Finance Committee before going to the formal Council meeting for ordinance enactment on the change. The Finance Director provides the administration and City Council with monthly reports on revenues and expenditures. This provides all parties with information on revenue and expenditure levels, trends, budgeted versus actual amounts and recommendations on any changes in policy or execution that may be required.

The general fund supports most of the City's major activities such as the police, fire, building, and service departments as well as the legislative and most executive activities. For the general fund, the original budgeted revenues were \$11,724,806 and the final budgeted revenues were \$11,641,852. Actual revenues of \$11,710,781 were \$68,929 greater than the final budget.

The original budget estimated expenditures and other financing uses were \$12,048,352 and the final budgeted expenditures and other financing uses were \$12,451,423. Actual expenditures and other financing uses were \$11,558,353. Actual expenditures were \$893,070 less than the final budget.

Capital Assets and Long-Term Obligations

**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 8,415,883	\$ 8,393,858
Construction in Progress	-	516,573
Buildings and Improvements	8,157,647	8,347,748
Machinery and Equipment	2,967,927	2,828,239
Infrastructure	<u>32,147,611</u>	<u>33,783,394</u>
<i>Totals</i>	<u>\$ 51,689,068</u>	<u>\$ 53,869,812</u>

Total capital assets, net of depreciation for governmental activities of the City for 2016 were \$51,689,068 a \$2,180,744 decrease from the 2015 balance. The decrease is primarily due to depreciation expense of \$2,420,225 exceeding capital asset additions of \$239,481. See note 9 of the basic financial statements for additional information on capital assets.

City of Macedonia
Summit County, Ohio
 Management's Discussion and Analysis
 For the Year Ended December 31, 2016
 (Unaudited)

Long-Term Obligations

On December 31, 2016, the City of Macedonia had \$4,350,000 in general obligation bonds, \$882,200 in special assessment bonds, \$794,102 in a lease purchase agreement, \$356,451 in OPWC loans, and \$502,000 in SIB loans outstanding.

Table 4
Outstanding Long-Term Obligations at End of Year

	Governmental	
	2016	2015
General Obligation Bonds	\$ 4,350,000	\$ 5,465,000
Special Assessment Bonds	882,200	997,300
Lease purchase agreement	794,102	567,987
OPWC Loan	356,451	390,399
SIB Loans	502,000	502,000
Totals	\$ 6,884,753	\$ 7,922,686

The City has issued general obligation bonds for various purposes and for the Recreation Center and City Hall/Safety Center. There is \$4,350,000 outstanding on the bonds. The special assessment bonds are for street construction on Highland Road and North Freeway Drive. The OPWC loan is for the North Freeway Drive project and is also being paid by special assessments. The leases purchase agreements were for eight police cruisers, two trucks and two dump trucks. The SIB loans are for the purchase of rights-of-way for the I-271 ramp project.

See notes 13 and 14 of the basic financial statements for additional information on debt.

Current Financial Related Activities

The Administration and City Council have committed the City to financial excellence and work hard at maximizing efficiencies and keeping the City's debt obligations at a minimum.

In 2016, the General fund expenditures plus year end encumbrances totaled \$11,558,353. This was \$893,070 below the General fund budget of \$12,451,423. In addition, the city ended 2016 with an unencumbered General fund cash balance of \$1,588,855 or 12.76% of the General fund budget.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends or invests. If you have any questions about this report or need additional financial information contact Rhonda C. Hall, CPA, Finance Department, 9691 Valley View Road, Macedonia, Ohio 44056, telephone (330) 468-8359 or the City website at www.Macedonia.oh.us.

City of Macedonia, Ohio
Statement of Net Position
December 31, 2016

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$5,865,454
Receivables (Net):	
Taxes	5,856,040
Accounts	629,094
Interest	7,083
Intergovernmental	589,405
Special Assessments	1,067,122
Inventory	231,844
Nondepreciable Capital Assets	8,415,883
Depreciable Capital Assets, Net	<u>43,273,185</u>
 Total Assets	 <u>65,935,110</u>
 Deferred Outflows of Resources:	
Pension	<u>3,731,416</u>
 Total Deferred Outflows of Resources	 <u>3,731,416</u>
 Liabilities:	
Accounts Payable	100,340
Accrued Wages and Benefits	462,669
Accrued Interest Payable	22,481
Long-Term Liabilities:	
Due Within One Year	904,366
Due In More Than One Year	
Net Pension Liability	12,791,237
Other Amounts	<u>7,103,716</u>
 Total Liabilities	 <u>21,384,809</u>
 Deferred Inflows of Resources:	
Property and Income Taxes	2,263,285
Pension	<u>103,429</u>
 Total Deferred Inflows of Resources	 <u>2,366,714</u>
 Net Position:	
Net Investment in Capital Assets	44,704,292
Restricted for:	
Debt Service	1,005,698
Capital Projects	216,629
Street Construction and Maintenance	793,661
Fire services	23,375
Police Services and Programs	96,828
Other Purposes	209,371
Unrestricted	<u>(1,134,851)</u>
 Total Net Position	 <u>\$45,915,003</u>

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$2,610,020	\$1,102,372	\$0	\$0	(\$1,507,648)
Public Safety	7,337,784	1,013,164	157,609	0	(6,167,011)
Community Development	1,096,468	231,350	0	0	(865,118)
Leisure Time Activities	2,251,320	1,014,815	36,000	0	(1,200,505)
Transportation and Street Repair	4,334,376	0	546,389	299,479	(3,488,508)
Basic Utility Service	516,629	120,172	0	0	(396,457)
Public Health and Welfare	223,870	18,129	0	0	(205,741)
Interest and Other Charges	225,730	0	0	0	(225,730)
Totals	\$18,596,197	\$3,500,002	\$739,998	\$299,479	(14,056,718)
General Revenues:					
					8,254,864
					Income Taxes
					Property Taxes Levied for:
					General Purposes
					Special Revenue Purposes
					Grants and Entitlements, Not Restricted
					Revenue in Lieu of Taxes
					Investment Earnings
					Other Revenues
					<u>12,271,533</u>
					Total General Revenues
					(1,785,185)
					Change in Net Position
					47,700,188
					Net Position - Beginning of Year
					<u>\$45,915,003</u>
					Net Position - End of Year

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Balance Sheet
Governmental Funds
December 31, 2016

	General	Street Construction, Maintenance and Repair	Family Recreation Center	Special Assesment Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Investments	\$2,780,837	\$164,251	\$1,235,627	\$141,795	\$1,542,944	\$5,865,454
Receivables (Net):						
Taxes	4,842,079	0	429,651	0	584,310	5,856,040
Accounts	619,902	3,124	0	0	6,068	629,094
Interest	7,083	0	0	0	0	7,083
Intergovernmental	202,929	282,054	0	0	104,422	589,405
Special Assessments	180,468	0	0	886,384	270	1,067,122
Interfund	24,978	0	0	0	0	24,978
Inventory	4,931	226,913	0	0	0	231,844
Total Assets	8,663,207	676,342	1,665,278	1,028,179	2,238,014	14,271,020
Liabilities:						
Accounts Payable	61,329	4,763	24,995	0	9,253	100,340
Accrued Wages and Benefits	312,739	58,591	27,974	0	63,365	462,669
Compensated Absences	3,539	0	0	0	0	3,539
Interfund Payable	0	0	0	0	24,978	24,978
Total Liabilities	377,607	63,354	52,969	0	97,596	591,526
Deferred Inflows of Resources:						
Property and Income Taxes	3,366,874	0	224,788	0	584,310	4,175,972
Grants and Other Taxes	155,783	234,037	0	0	92,856	482,676
Special Assessments	180,468	0	0	886,384	270	1,067,122
Accounts	223,459	0	0	0	0	223,459
Total Deferred Inflows of Resources	3,926,584	234,037	224,788	886,384	677,436	5,949,229
Fund Balances:						
Nonspendable	15,805	226,913	0	0	0	242,718
Restricted	0	152,038	0	141,795	670,104	963,937
Committed	511,000	0	1,387,521	0	838,815	2,737,336
Assigned	1,951,639	0	0	0	0	1,951,639
Unassigned	1,880,572	0	0	0	(45,937)	1,834,635
Total Fund Balances	4,359,016	378,951	1,387,521	141,795	1,462,982	7,730,265
Total Liabilities, Deferred Inflows and Fund Balances	\$8,663,207	\$676,342	\$1,665,278	\$1,028,179	\$2,238,014	\$14,271,020

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 December 31, 2016

Total Governmental Fund Balance \$7,730,265

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.

 Capital assets used in the operation of Governmental Funds 51,689,068

Other long-term assets are not available to pay for current-
 period expenditures and, therefore, are deferred in the funds.

Income Taxes	1,798,305	
Delinquent Property Taxes	114,382	
Intergovernmental	482,676	
Other Receivables	<u>1,290,581</u>	
		3,685,944

In the statement of net position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (22,481)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

 Compensated Absences (1,019,767)

Deferred outflows and inflows or resources related to pensions
 are applicable to future periods and, therefore, are not
 reported in the funds.

Deferred outflows of resources related to pensions	3,731,416	
Deferred inflows of resources related to pensions	<u>(103,429)</u>	
		3,627,987

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds.

Net Pension Liability	(12,791,237)	
Other Amounts	<u>(6,984,776)</u>	
		<u>(19,776,013)</u>

Net Position of Governmental Activities \$45,915,003

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2016

	General	Street Construction, Maintenance and Repair	Family Recreation Center	Special Assesment Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property and Other Taxes	\$1,823,155	\$0	\$0	\$0	\$481,693	\$2,304,848
Income Taxes	7,310,800	0	1,038,486	0	0	8,349,286
Charges for Services	1,158,706	0	794,419	0	237,629	2,190,754
Investment Earnings	29,125	0	0	0	0	29,125
Intergovernmental	827,630	514,320	0	0	701,869	2,043,819
Special Assessments	5,573	0	0	268,067	0	273,640
Fines, Licenses & Permits	707,327	0	0	0	22,351	729,678
Revenue in Lieu of Taxes	0	0	0	0	603,429	603,429
Rental Income	26,107	0	0	0	132,308	158,415
Other Revenues	203,824	5,492	184	0	374,858	584,358
Total Revenues	12,092,247	519,812	1,833,089	268,067	2,554,137	17,267,352
Expenditures:						
Current:						
General Government	2,301,401	0	0	6,142	9,167	2,316,710
Public Safety	5,884,387	0	0	0	855,346	6,739,733
Community Development	448,819	0	0	0	603,429	1,052,248
Leisure Time Activities	0	0	1,213,416	0	709,455	1,922,871
Transportation and Street Repair	0	1,733,273	0	0	137,326	1,870,599
Basic Utility Service	107,286	0	0	0	20,525	127,811
Public Health and Welfare	223,870	0	0	0	0	223,870
Capital Outlay	0	0	0	0	1,147,451	1,147,451
Debt Service:						
Principal	670,296	0	574,750	170,048	30,990	1,446,084
Interest and Other Charges	148,986	0	17,243	95,594	0	261,823
Total Expenditures	9,785,045	1,733,273	1,805,409	271,784	3,513,689	17,109,200
Excess of Revenues Over (Under) Expenditures	2,307,202	(1,213,461)	27,680	(3,717)	(959,552)	158,152
Other Financing Sources (Uses):						
Proceeds of Capital Leases	0	0	0	0	408,151	408,151
Transfers In	0	1,000,000	0	0	446,780	1,446,780
Transfers (Out)	(1,446,780)	0	0	0	0	(1,446,780)
Total Other Financing Sources (Uses)	(1,446,780)	1,000,000	0	0	854,931	408,151
Net Change in Fund Balance	860,422	(213,461)	27,680	(3,717)	(104,621)	566,303
Fund Balance - Beginning of Year	3,500,578	476,632	1,359,841	145,512	1,567,603	7,050,166
Change in Reserve for Inventory	(1,984)	115,780	0	0	0	113,796
Fund Balance - End of Year	\$4,359,016	\$378,951	\$1,387,521	\$141,795	\$1,462,982	\$7,730,265

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended December 31, 2016

Net Change in Fund Balance - Total Governmental Funds \$566,303

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	239,481	
Depreciation Expense	<u>(2,420,225)</u>	(2,180,744)

Governmental funds report City pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

City pension contributions	1,064,061	
Cost of benefits earned net of employee contributions	<u>(1,798,508)</u>	(734,447)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income Taxes	(94,422)	
Delinquent Property Taxes	(17,783)	
Intergovernmental	(345,773)	
Other	<u>1,638</u>	(456,340)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,446,084

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. (1,899)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences	(167,779)	
Amortization of Bond Premium	47,398	
Amortization of Deferred Charge on Refunding	(9,406)	
Change in Inventory	<u>113,796</u>	(15,991)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position. (408,151)

Change in Net Position of Governmental Activities (\$1,785,185)

See accompanying notes to the basic financial statements.

City of Macedonia
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property Taxes	\$1,818,246	\$1,805,382	\$1,816,071	\$10,689
Income Taxes	7,235,808	7,184,614	7,227,153	42,539
Charges for Services	824,006	818,176	823,020	4,844
Investment Earnings	18,085	17,957	18,063	106
Intergovernmental	713,414	708,367	712,561	4,194
Special Assessments	5,580	5,540	5,573	33
Fines, Licenses & Permits	708,174	703,164	707,327	4,163
Rental Income	26,138	25,953	26,107	154
Other Revenues	375,355	372,699	374,906	2,207
Total Revenues	11,724,806	11,641,852	11,710,781	68,929
Expenditures:				
Current:				
General Government	2,515,866	2,600,032	2,413,547	186,485
Public Safety	6,293,610	6,504,159	6,037,653	466,506
Community Environment	515,524	532,771	494,558	38,213
Basic Utility Service	127,863	132,141	122,663	9,478
Public Health and Welfare	233,361	241,168	223,870	17,298
Debt Service:				
Principal Retirement	698,712	722,087	670,296	51,791
Interest and Fiscal Charges	155,302	160,498	148,986	11,512
Total Expenditures	10,540,238	10,892,856	10,111,573	781,283
Excess of Revenues Over (Under) Expenditures	1,184,568	748,996	1,599,208	850,212
Other Financing Sources (Uses):				
Transfers (Out)	(1,508,114)	(1,558,567)	(1,446,780)	111,787
Total Other Financing Sources (Uses)	(1,508,114)	(1,558,567)	(1,446,780)	111,787
Net Change in Fund Balance	(323,546)	(809,571)	152,428	961,999
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,436,427	1,436,427	1,436,427	0
Fund Balance End of Year	\$1,112,881	\$626,856	\$1,588,855	\$961,999

See accompanying notes to the basic financial statements.

City of Macedonia
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2016

	Street Construction, Maintenance and Repair Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Income Taxes	\$541,626	\$646,341	\$566,473	(\$79,868)
Other Revenues	2,235	2,668	2,338	(330)
Total Revenues	<u>543,861</u>	<u>649,009</u>	<u>568,811</u>	<u>(80,198)</u>
Expenditures:				
Current:				
Transportation and Street Repair	1,244,568	2,043,168	1,797,199	245,969
Total Expenditures	<u>1,244,568</u>	<u>2,043,168</u>	<u>1,797,199</u>	<u>245,969</u>
Excess of Revenues Over (Under) Expenditures	<u>(700,707)</u>	<u>(1,394,159)</u>	<u>(1,228,388)</u>	<u>165,771</u>
Other financing sources (uses):				
Transfers In	956,138	1,140,991	1,000,000	(140,991)
Total Other Financing Sources (Uses)	<u>956,138</u>	<u>1,140,991</u>	<u>1,000,000</u>	<u>(140,991)</u>
Net Change in Fund Balance	255,431	(253,168)	(228,388)	24,780
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>339,280</u>	<u>339,280</u>	<u>339,280</u>	<u>0</u>
Fund Balance End of Year	<u>\$594,711</u>	<u>\$86,112</u>	<u>\$110,892</u>	<u>\$24,780</u>

See accompanying notes to the basic financial statements.

City of Macedonia
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2016

	Family Recreation Center Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Income Taxes	\$845,517	\$961,071	\$1,026,536	\$65,465
Charges for Services	29,030	32,997	35,245	\$2,248
Other Revenues	625,453	710,932	759,358	48,426
Total Revenues	1,500,000	1,705,000	1,821,139	116,139
Expenditures:				
Current:				
Leisure Time	1,379,476	1,379,476	1,255,238	124,238
Debt Service:				
Principal Retirement	631,636	631,636	574,750	56,886
Interest and Fiscal Charges	18,950	18,950	17,243	1,707
Total Expenditures	2,030,062	2,030,062	1,847,231	182,831
Net Change in Fund Balance	(530,062)	(325,062)	(26,092)	298,970
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,225,988	1,225,988	1,225,988	0
Fund Balance End of Year	\$695,926	\$900,926	\$1,199,896	\$298,970

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2016

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$336,490
Receivables (Net):	
Taxes	37,505
Intergovernmental	<u>264,190</u>
Total Assets	<u>638,185</u>
Liabilities:	
Accounts Payable	27,793
Accrued Wages and Benefits	37,759
Deposits held and due to others	<u>572,633</u>
Total Liabilities	<u><u>\$638,185</u></u>

See accompanying notes to the basic financial statements.

Note 1 - Description of the City and Reporting Entity

The City of Macedonia (the "City") is a charter municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City may exercise all powers of local self-government and police powers to the extent it is not in conflict with applicable general laws. A charter was first adopted by the electorate at a general election held in 1972. The City operates under its own charter and is governed by a Mayor-Council form of government with the Mayor appointing the Finance Director and department heads, with Council approval and Council appointing the Clerk of Council. Officials include five Council members and a Mayor elected to four-year terms.

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, departments, boards and agencies that are not legally separate from the City. For the City of Macedonia, this includes the departments and agencies that provide the following services: police, fire, street maintenance, planning and zoning, emergency medical technicians, parks and recreation system, public improvements department, general administrative services and Mayor's court.

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 deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. The City has no component units.

The City is associated with two jointly governed organizations, the Northeast Ohio Public Energy Council and the Regional Council of Governments (Note 15) and one joint venture, the Northfield Center Township - Macedonia Joint Economic Development District (Note 16).

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Macedonia 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.

A. Basis of Presentation

The City's basic financial statements consist of government-wide 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.

City of Macedonia
Summit County, Ohio

Notes to Basic Financial Statements
For the Year Ended December 31, 2016

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 fiduciary funds. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental 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. 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 function 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 fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. 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. The City reports two categories of funds: governmental and fiduciary.

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

General Fund - The general fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Macedonia and/or the general laws of Ohio.

Street Construction, Maintenance and Repair - To account for the portion of the state gasoline taxes and motor vehicle registration fees designated for upkeep and maintenance of streets within the City, as well as property taxes likewise designated.

Family Recreation Center Fund - The family recreation center fund accounts for membership and program fees and income taxes to be used for the operation and maintenance of the family recreational center.

Special Assessments Bond Retirement Fund – The special assessments bond retirement fund accounts for accumulation of resources that are restricted to pay principal and interest on special assessment debt.

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

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 account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for deposits pledged by contractors and citizens; building assessment fees collected for the Ohio Board of Building Standards; a payroll revolving fund that accounts for net payroll and related deductions for distribution; an escrow account for various projects; a Joint Economic Development District with Northfield Center Township; community room security deposits; TIF Fund; EMS fees collected on behalf of Boston Heights; and mayor's court bonds.

C. 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 all 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 (i.e. revenues) and decreases (i.e. 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. 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 and the statements presented for fiduciary funds are prepared using 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 and in the presentation of expenses versus expenditures.

City of Macedonia
Summit County, Ohio

Notes to Basic Financial Statements
For the Year Ended December 31, 2016

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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. 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 sixty days of year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. 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: income tax, State-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants, fees and rentals.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report 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 as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, grants, payments in lieu of taxes special assessments, and accounts receivable. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Accounts receivable, grants and special assessments are reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The City also reports deferred inflow of resources for the following items related to the City's net pension liability: (1) differences between expected and actual experience. These deferred inflows of resources are only reported on the government-wide statement of net position.

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 governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternate tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternate 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 resolution 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 budgetary control is at the department level and object level of personal services, operating and capital outlay for the general, street construction, maintenance and repair, parks, and family recreation funds, at the line item level for the capital improvements fund, and at the fund level for all other funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control. More detailed allocations beyond the legal level of appropriations passed by Council may be made by the Finance Director.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. 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 the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were passed by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources by fund. The amounts reported as the original budgeted amounts reflect the first appropriation resolution 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.

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and investments."

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During the year, the City's investments were limited to Star Ohio, money market funds, negotiable certificates of deposits and US agencies. Investments are reported at cost, except for the money market fund and STAR Ohio. The City's money market fund investment is recorded at the amount reported by financial institutions on December 31, 2016.

STAR Ohio (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. STAR Ohio 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 also implemented GASB Statement No. 79 for 2016. The implementation of this GASB pronouncement had no effect on beginning net position/fund balance. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2016 amounted to \$29,125.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

G. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance which indicates that it does not constitute available spendable resources even though it is a component of fund balance.

H. Capital Assets

The City's only capital assets are general capital assets. General capital assets are those assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital 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.

City of Macedonia
Summit County, Ohio

Notes to Basic Financial Statements
For the Year Ended December 31, 2016

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of 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 reported capital assets are depreciated except for land, right-of-ways and construction in progress. 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 replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land	N/A
Right-of-Ways	N/A
Buildings and Improvements	15 - 100 years
Land Improvements	20 years
Machinery and Equipment	5 - 40 years
Furniture and Fixtures	10 - 25 years
Vehicles	6 - 25 years
Infrastructure	15 - 50 years

The City's infrastructure consists of roads, water mains, storm sewers, traffic signals, and bridges and includes infrastructure acquired since December 31, 1980.

I. Interfund Balances

On fund financial statements, receivables and payables resulting in short term interfund loans are classified as "interfund loans receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed 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 accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for employees after one year of service with the City.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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 a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and loans are recognized as a liability on the governmental fund financial statements when due.

L. Fund Balances

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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). 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) it employed to previously commit those amounts. 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 nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund 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 restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

M. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions on enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the City's \$2,345,562 in restricted net position, none was restricted by enabling legislation.

N. Interfund Activity

Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are received in the year the bonds are issued.

P. Estimates

The preparation of the 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.

Q. Pensions

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

Note 3 - Accountability and Compliance

A. Deficit Fund Balances

Fund balances at December 31, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Fire Operating Levy	\$ 12,654
Police Pension Transfer	8,305

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

Note 4 - 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and the family recreation center 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:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to restricted, assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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The following table summarizes the adjustments necessary to reconcile the budgetary basis statements to the GAAP basis statements (as reported in the fund financial statements) for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Family Recreation Center</u>
GAAP basis	\$ 860,422	\$ (213,461)	\$ 27,680
Net adjustment for revenue accruals	(535,502)	48,999	(11,950)
Net adjustment for expenditure accruals	(122,925)	(10,567)	(6,091)
Net adjustment for other sources/uses	154,036	-	-
Adjustment for encumbrances	<u>(203,603)</u>	<u>(53,359)</u>	<u>(35,731)</u>
Budget basis	<u>\$ 152,428</u>	<u>\$ (228,388)</u>	<u>\$ (26,092)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the emergency fund, the unclaimed monies fund, and the retirement reserve fund.

Note 5 - Deposits and Investments

The City has chosen to follow State statutes and 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.

Interim monies 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;

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2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (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; and,
6. The State Treasurer's investment pool (STAR Ohio); and,
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Cash on Hand

At year end, the City had \$1,175 in undeposited cash on hand, which is included on the financial statements of the City as part of "equity in pooled cash and investments".

Deposits

Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016, \$1,687,995 of the City's bank balance of \$2,187,995 was exposed to custodial risk as discussed below, while \$500,000 was covered by the Federal Deposit Insurance Corporation "FDIC".

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve

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system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

All investments are in an internal investment pool. As of December 31, 2016, the City had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>
Money Market Funds	\$ 25,211	N/A
STAR Ohio	62,988	N/A
Federal Farm Credit Bank	782,960	Level 2
Federal Home Loan Bank	864,854	Level 2
Federal National Mortgage Association	1,095,516	Level 2
Negotiable Certificates of Deposit	1,234,276	Level 2
Total	<u>\$ 4,065,805</u>	

The weighted average maturity of investments is 0.40 years.

The City categorizes its fair value measurements with 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. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2016. STAR Ohio is reported at its share price (Net Asset value per share).

Interest Rate Risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in investments so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities, and the U.S. government money market fund are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

Credit Risk: STAR Ohio and the US Government money market fund carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The federal agency securities carry a rating of AA+/Aaa by Standard & Poor's and Moody. The City has no investment policy that addresses credit risk.

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Concentration of Credit Risk: The City's investment policy places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Money Market Funds	\$ 25,211	0.62%
STAR Ohio	62,988	1.55%
Federal Farm Credit Bank	782,960	19.26%
Federal Home Loan Bank	864,854	21.27%
Federal National Mortgage Association	1,095,516	26.94%
Negotiable Certificates of Deposit	1,234,276	30.36%
Total	<u>\$ 4,065,805</u>	<u>100.00%</u>

Note 6 - Receivables

Receivables at December 31, 2016, consisted primarily of municipal income taxes, property taxes, payment in lieu of taxes, special assessments, accounts (billings for user charged services and court fines), and intergovernmental receivables arising from grants, entitlements and shared revenues.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except for delinquent property taxes and special assessments are expected to be collected within one year. Property taxes although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Special assessments expected to be collected in more than one year amount to \$180,468 in the general fund, \$886,384 in the special assessment bond retirement fund and \$270 in the other governmental funds.

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. 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 real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Summit County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Macedonia. The Summit County Fiscal Officer periodically remits to the City its

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portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred outflows of resources since the current taxes were not levied to finance 2016 operations and the collection of delinquent taxes has been offset by deferred inflows of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2016 was \$8.90 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2016 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 285,468,060
Commercial/Industrial/Mineral	99,255,930
Public utility	<u>23,388,210</u>
Total Assessed Value	<u><u>\$ 408,112,200</u></u>

B. Income Taxes

The City levies a 2.00 percent municipal income tax on substantially all income earned within the City. In addition, City residents are required to pay tax on income earned outside of the City. The City allows a credit of one-hundred percent for income tax paid to another municipality, not to exceed two percent of taxable income.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, 50.0 percent of the City's net income tax collections will be allocated to general fund expenses, 12.5 percent to general improvements, 12.5 percent to safety capital improvements, 12.5 percent to parks and recreation, capital improvements, maintenance and operating expenses and 12.5 percent of the general fund's income tax revenue to cover police, fire and service department expenditures. Sums going to capital improvements shall include the payment of principal and interest on general indebtedness incurred for such capital improvements or as otherwise provided by the Code. The balance is to be used for current operating expenditures.

The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of three percent.

Note 7 - Compensated Absences

The criteria for determining vacation and sick leave liabilities are derived from negotiated agreements and State laws. Employees earn ten to twenty-five days of vacation per year, depending upon length of service. Normally, all vacation is to be taken in the year available unless written approval for carryover

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of vacation is obtained, in which case it is to be used in the first quarter of the following year. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at a rate of 1 1/4 days per month. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of forty percent of accumulated, unused sick leave up to a maximum payment of 384 hours, except fire employees whose maximum payment is up to 540 hours and police employees whose maximum payment is up to 500 hours. An employee with less than 10 years of service with the City, who is terminated other than retirement, is entitled to be paid 25 percent of their accrued unused sick leave up to a maximum payment of 240 hours.

Note 8 - Interfund Transactions

- A.** Interfund transfers for the year ended December 31, 2016, consisted of the following, as reported on the fund financial statements:

<u>Transfers from General Fund to:</u>	<u>Amount</u>
Street Construction, Maintenance and Repair Fund	\$ 1,000,000
Other Governmental Funds	<u>446,780</u>
Total	<u>\$ 1,446,780</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) to move residual equity amounts. Transfers between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund loans consisted of the following at December 31, 2016, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Other Governmental Funds	<u>\$ 24,978</u>

Interfund balances between governmental funds are eliminated on the government-wide financial statements. The General fund disbursed \$24,978 to the Highland Road Bridge fund in order to help cover costs of the project. All outstanding balances are expected to be repaid within one year.

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Note 9 - Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital Assets Not Being Depreciated				
Land	\$ 8,393,858	\$ 22,025	\$ -	\$ 8,415,883
Construction in Progress	516,573	-	(516,573)	-
Total Capital Assets Not Being Depreciated	<u>8,910,431</u>	<u>22,025</u>	<u>(516,573)</u>	<u>8,415,883</u>
Capital Assets Being Depreciated				
Buildings and Improvements	12,594,881	73,055	-	12,667,936
Machinery and Equipment	6,780,026	660,974	-	7,441,000
Infrastructure	54,637,072	-	-	54,637,072
Total Capital Assets Being Depreciated	<u>74,011,979</u>	<u>734,029</u>	<u>-</u>	<u>74,746,008</u>
Less Accumulated Depreciation				
Buildings and Improvements	4,247,133	263,156	-	4,510,289
Machinery and Equipment	3,951,787	521,286	-	4,473,073
Infrastructure	20,853,678	1,635,783	-	22,489,461
Total Accumulated Depreciation	<u>29,052,598</u>	<u>2,420,225</u>	<u>-</u>	<u>31,472,823</u>
Total Capital Assets Being Depreciated, Net	<u>44,959,381</u>	<u>(1,686,196)</u>	<u>-</u>	<u>106,218,831</u>
Governmental Activities Capital Assets, Net	<u>\$ 53,869,812</u>	<u>\$ (1,664,171)</u>	<u>\$ (516,573)</u>	<u>\$ 51,689,068</u>

Depreciation expense was charged to governmental functions as follow:

General government	\$ 124,889
Security of persons and property	248,753
Leisure time activities	172,110
Community environment	710
Basic Utility Services	387,563
Transportation	<u>1,486,200</u>
Total	<u>\$ 2,420,225</u>

Note 10 - Risk Management

A. Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. As of December 31, 2016, the City contracted with the Ohio Municipal League Self Insurance Pool, which is administered by Dawson and DiStefano Insurance Company, as follows:

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Type of Coverage	Coverage	Deductible
Ohio Municipal Joint Self Insurance Pool		
Blanket Property, and Contents, Replacement	\$ 15,438,777	\$2,500
Property Dwelling	cash value	1,000
General Liability	6,000,000	No deductible
Automobile Liability	6,000,000	1,000
Municipal Attorney & Law Directors Liability	1,000,000	25,000
Employer Liability	1,000,000	No deductible
Emergency Medical Services Liability	6,000,000	25,000
Miscellaneous Equipment (Scheduled)	cash value	1,000
Miscellaneous Equipment (Unscheduled)	cash value	1,000
Tower and Antenna	cash value	1,000
Public Officials Liability	6,000,000	25,000
Law Enforcement	6,000,000	25,000
Employee Benefits Liability (per act)	1,000,000	No deductible
Inland Marine Liability	cash value	1,000
Uninsured/Underinsured Motorist	50,000	No deductible
Hired/Borrowed Physical Damage	50,000	1,000

The City carries commercial insurance coverage for all risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there were no significant reductions in coverage from the prior year.

B. Workers' Compensation

Workers' compensation coverage is provided by the State of Ohio. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 11 – Defined Benefit Pension Plans

Net Pension Liability/Asset

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

The net pension liability/asset represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability/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 this estimate annually.

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

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments/pension obligation payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

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

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

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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
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

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

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

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

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

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

The City's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$405,972 for 2016. Of this amount, \$96,843 is reported as accrued wages and benefits.

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 information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of 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.

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3 percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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

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	<u>Police</u>	<u>Firefighters</u>
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>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 \$658,089 for 2016. Of this amount \$93,512 is reported as accrued wages and benefits.

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

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 4,088,065	\$ 8,703,172	\$ 12,791,237
Proportion of the net pension liability	0.02360200%	0.13528800%	
Pension expense	\$ 654,299	\$ 1,144,209	\$ 1,798,508

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

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	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 1,201,665	\$ 1,416,542	\$ 2,618,207
Difference between employer contributions and proportionate share of contributions	26,181	22,967	49,148
City contributions subsequent to the measurement date	<u>405,972</u>	<u>658,089</u>	<u>1,064,061</u>
Total deferred outflows of resources	<u>\$ 1,633,818</u>	<u>\$ 2,097,598</u>	<u>\$ 3,731,416</u>
Deferred inflows of resources			
Differences between expected and actual experience	<u>78,991</u>	<u>24,438</u>	<u>103,429</u>
Total deferred inflows of resources	<u>\$ 78,991</u>	<u>\$ 24,438</u>	<u>\$ 103,429</u>

\$1,064,601 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/asset in the year ending December 31, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2017	\$ 274,896	\$ 372,731	\$ 647,627
2018	294,110	372,731	666,841
2019	307,912	372,731	680,643
2020	271,937	297,216	569,153
2021	-	(283)	(283)
Thereafter	<u>-</u>	<u>(55)</u>	<u>(55)</u>
Total	<u>\$ 1,148,855</u>	<u>\$ 1,415,071</u>	<u>\$ 2,563,926</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the 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

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of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

<u>Key Methods and Assumptions Used in Valuation of Total Pension Liability</u>	
<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Valuation Date	December 31, 2015
Experience Study	5 year period ending December 31, 2010
Actuarial Cost Method	Individual Entry Age
Actuarial Assumptions:	
Investment Rate of Return	8.00%
Wage Inflation	3.75%
Projected Salary Increases	4.25% - 10.05% (includes wage inflation at 3.75%)
Cost-of-Living Adjustments:	
Pre 1/7/2013 Retirees	3.00% Simple,
Post 1/7/2013 Retirees	3.00% Simple,
Through 2018, then	2.80% Simple.

Mortality rates are the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% 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% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

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

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expense, for the Defined Benefit portfolio is 0.4% for 2015.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board 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

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defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate

The discount rate used to measure the total pension liability was 8.0% for the Traditional Pension Plan, Combined Plan and Member-Directed 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability or asset calculated using the discount rate of 8.0%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
City's proportionate share of the net pension liability:			
OPERS	\$6,513,444	\$4,088,065	\$2,042,517

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by 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.

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2015 are summarized below:

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Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Domestic Equity	16.00 %	4.47 %	7.80 %
Non-US Equity	16.00	4.47	8.00
Core Fixed Income*	20.00	1.62	5.35
Global Inflation Protected Securities*	20.00	1.33	4.73
High Yield	15.00	3.39	7.21
Real Estate	12.00	3.93	7.43
Private Markets	8.00	6.98	10.73
Timber	5.00	4.92	7.35
Master Limited Partnerships	8.00	7.03	10.75
Total	120.00 %		

Note: Assumptions are geometric

* levered 2x

** Numbers include inflation

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

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability :			
OP&F	\$11,478,318	\$8,703,172	\$6,352,350

Note 12 - Postretirement Benefit Plans

A. Ohio Public Employees Retirement System

Plan Description - 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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, 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. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

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 OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 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 health

care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. 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 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% 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 2016 was 4.0%.

Information from City's Records

The rates stated in Funding Policy, above, are the contractually required contribution rates for OPERS. The City's actual contributions for the current year, which were used to fund postemployment benefits, were \$62,554 for 2016, \$69,162 for 2015, and \$57,096 for 2014. The full amount has been contributed for 2016, 2015 and 2014.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check 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 GASB Statement 45.

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 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. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164, or by visiting the OP&F website at www.op-f.org.

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% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of the covered payroll for police employer units and 24.0% 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. One for health care benefits under IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2016 thru December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is 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.

Information from City's Records

The City's contributions to OP&F for the year ending December 31, 2016 was \$13,048, December 31, 2015 was \$12,936; and December 31, 2014 was \$13,514. The actual contributions for 2016, 2015 and 2014 were 100%.

Note 13 - Capital Leases

In prior years, the City entered into lease agreements for a tractor, two trucks and three copiers. The City's lease obligations meet the criteria of a capital lease as defined by GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements". Capital lease payments have been reclassified and are reflected as debt service expenditures on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Lease Purchase Agreement

During the current year and in a previous year, the City entered into a lease-purchase agreement with a local bank to finance the purchase of two skid-loaders, eight vehicles, two trucks and two dump trucks.

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The source of revenue to fund the principal and interest payments is derived from general operating revenues of the City. The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement as of December 31, 2016.

Years	Lease Purchase Agreement	
	Principal	Interest
2017	\$ 226,604	20,255
2018	192,387	14,256
2019	197,549	9,094
2020	116,947	4,119
2021	60,615	1,025
Total	<u>\$ 794,102</u>	<u>\$ 48,749</u>

Capital assets acquired by lease have been capitalized as follows:

Vehicles \$ 1,206,875

Note 14 - Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the City's bonds and loans follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
General Obligation Bonds			
Various Purpose Refunding, 2011	2.00-3.00 %	\$ 4,985,000	December 1, 2016
Various Purpose, 2010	2.00-4.00	5,130,000	December 1, 2030
Special Assessments			
Highland Road Improvement Variance, 2003	2.00-4.00	1,260,000	December 1, 2023
Highland Road Improvement, 1996	6.25	294,100	December 1, 2016
North Freeway Drive, 2006	5.38	543,300	December 1, 2026
Ohio Public Works Commission Loan (OPWC) North Freeway Drive Project, 2005	-	678,957	December 1, 2027
State Infrastructure Bank Loan for			
1-271 ramp project, 2014	3.00	502,000	July 31, 2034

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Changes in long-term obligations of the City during 2016 are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due in One Year
General Obligation Bonds					
Various Purpose Refunding Bonds, 2011	\$ 1,045,000	\$ -	\$ (1,045,000)	\$ -	\$ -
Various Purpose Bonds, 2010	4,420,000	-	(70,000)	4,350,000	245,000
<i>Total General Obligation Bonds</i>	<u>5,465,000</u>	<u>-</u>	<u>(1,115,000)</u>	<u>4,350,000</u>	<u>245,000</u>
Special Assessment Bonds with Governmental Commitment					
Highland Road Improvement Variance, 2003	605,000	-	(65,000)	540,000	70,000
Highland Road Improvement, 1996	24,800	-	(24,800)	-	-
North Freeway Drive, 2006	367,500	-	(25,300)	342,200	26,600
<i>Total Special Assessment Bonds</i>	<u>997,300</u>	<u>-</u>	<u>(115,100)</u>	<u>882,200</u>	<u>96,600</u>
Ohio Department of Transportation (ODOT)					
State Infrastructure Bank Loans (I-271 Ramp)	502,000	-	-	502,000	58,100
Ohio Public Works Commission Loan (OPWC)					
North Freeway Drive Project, 2005	390,399	-	(33,948)	356,451	33,948
Net Pension Liability	9,787,559	3,003,678	-	12,791,237	-
Compensated Absences Payable	866,822	372,267	(215,783)	1,023,306	244,114
Lease Purchase Agreement	567,987	408,151	(182,036)	794,102	226,604
Total Governmental Long-Term Liabilities	<u>\$ 18,577,067</u>	<u>\$ 3,784,096</u>	<u>\$ (1,661,867)</u>	<u>\$ 20,699,296</u>	<u>\$ 904,366</u>
			Add: Unamortized Premium	100,023	
			Total on Statement of Net Position	<u>\$ 20,799,319</u>	

General obligation bonds are the direct obligation of the City for which its full faith and credit are pledged for repayment and will be paid from the collection of income taxes.

On January 15, 2014, the Ohio Department of Transportation (“ODOT”) issued the City a loan to acquire the rights-of-way for the I-271 ramp project. The loan was in the amount of \$502,000 and had an interest rate of 3.00%. The loan has a maturity date of July 31, 2024. Principal and interest payments are due semi-annually. The loan had a zero percent interest rate until July 30, 2015.

Special assessment bonds will be paid from special assessment proceeds levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

The Ohio Public Works Commission (OPWC) loan for North Freeway Drive Project will be paid from special assessments.

Compensated absences will be paid from the general fund and the street construction, maintenance and repair, parks and recreation and family recreation center special revenue funds.

Optional Redemption - The bonds maturing on or after December 1, 2013, shall be subject to redemption, by and at the option of the City, on or after December 1, 2012, in whole or in part on any date, in the integral multiples of \$5,000, at the redemption price of 100 percent of principal amount to be redeemed, plus interest accrued to the redemption date.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

Mandatory Sinking Fund Redemption - The bonds maturing on December 1, 2023 shall be term bonds subject to mandatory sinking redemption requirements. The mandatory redemption is to occur on December 1, 2022 (with the balance of \$85,000 to be paid at stated maturity on December 1, 2023):

<u>Year</u>	<u>Principal Amount</u>
2017	\$ 70,000
2018	70,000
2019	75,000
2020	75,000
2021	80,000
2022	85,000

2010 Various Purpose Bonds

On September 22, 2010, the City issued \$5,130,000 in general obligation bonds with interest rates varying from 2.0 to 4.0 percent. The bond issue included serial and term bonds.

Optional Redemption - The bonds maturing after December 1, 2020 are subject to prior redemption, by and at the sole option of the City, in whole or in part as selected by the City (in integral multiples of \$5,000), on any date on or after December 1, 2020, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date.

Mandatory Redemption - The bonds maturing on December 1, 2030 (the term bonds), are subject to mandatory sinking fund redemption requirements, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date, on December 1 of the years shown, and according to, the following schedule:

<u>Year</u>	<u>Principal Amount</u>
2025	\$ 325,000
2026	340,000
2027	350,000
2028	365,000
2029	375,000
2030	380,000

2011 Refunding Bonds

On December 14, 2011, the City issued general obligation bonds to refund the Series 2001 General Obligation Bonds (principal \$4,120,000) and Series 2003 Refunding Bonds (\$950,000). This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

City of Macedonia
Summit County, Ohio

Notes to Basic Financial Statements
 For the Year Ended December 31, 2016

The reacquisition price exceeded the net carrying amount of the old debt by \$51,309. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Principal and interest requirements to retire the long-term obligations as of December 31, 2016, are as follows:

Years	General Obligation Bonds		Special Assessment Bonds		OPWC Loans	SIB Loans	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2017	\$ 245,000	\$ 168,350	\$ 96,600	\$ 39,658	\$ 33,948	\$ 58,100	\$ 15,080
2018	255,000	161,000	98,100	35,406	33,948	59,856	13,323
2019	260,000	153,350	104,600	31,075	33,948	61,666	11,514
2020	265,000	143,600	106,200	26,461	33,948	63,529	9,650
2021	280,000	133,000	112,900	21,761	33,948	65,450	7,730
2022-2026	1,575,000	488,400	363,800	40,015	186,711	193,399	11,080
2027-2030	1,470,000	149,000	-	-	-	-	-
Total	<u>\$ 4,350,000</u>	<u>\$1,396,700</u>	<u>\$ 882,200</u>	<u>\$ 194,376</u>	<u>\$ 356,451</u>	<u>\$ 502,000</u>	<u>\$ 68,377</u>

Note 15 - Jointly Governed Organization

A. Northeast Ohio Public Energy Council (NOPEC)

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a Regional Council of Governments (RCOG) formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 200 communities who have been authorized by ballot to purchase electricity and natural gas on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the ten-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program.

The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Macedonia did not contribute to NOPEC during 2016. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Rd. Suite 20, Solon, Ohio or at the website www.nopecinfo.org.

B. Regional Council of Governments

In 1971, 38 municipalities joined together to organize a Regional Council of Governments (RCOG) to administer tax collection and enforcement concerns facing the cities and villages. The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for 250 municipalities throughout the State of Ohio. The City began using RITA for its income tax collection services during 2005.

Each member municipality appoints its own delegate to the RCOG, including electing members to the RITA Board of Trustees. Regardless of the population or tax collections of member municipalities, each member of the RCOG has an equal say in the operations of RITA.

Note 16 - Joint Venture

The City participates in the Northfield Center Township - Macedonia Joint Economic Development District (JEDD) which is created in accordance with sections 715.70 and 715.71 of the Ohio Revised Code. The purpose of the JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State, the Township and the City. The City and the Township shall work together to provide or cause to be provided, water, sewer, storm sewer, street lighting, roads, sidewalks and other local government services to the area. These services are funded by a predetermined percentage of income tax revenue. The Board of Directors consists of six members, three from each the City and the Township. The Township members of the Board are the Township Trustees. The City members are the Mayor and two elected members of Council who are appointed to the Board by the Mayor and approved by Council. The Board adopted an annual budget for the JEDD and estimated the revenues and expenses of the operation of the JEDD. They also established the distribution of the income tax revenues. The Board is authorized to take such necessary and appropriate actions, or establish such programs to facilitate economic development in the JEDD area.

Continued existence of the JEDD is dependent on the City's continued participation; however, the City does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. In 2016, 50% of the JEDD's total distributions went to the City. Complete financial statements can be obtained from the Northfield Center Township-Macedonia Joint Economic Development District, City of Macedonia Finance Department, 9691 Valley View Road, Macedonia, Ohio, 44056.

Note 17 - Tax Increment Financing District (TIF)

The City, pursuant to the Ohio Revised Code and City ordinances, has established a TIF. A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as "payments in lieu of taxes (PILOT)", as though the TIF had not been established. These "PILOTS" are then dedicated to the payments for various public improvements within or adjacent to the TIF area. Property values existing before the commencement date of a TIF continue to be subjected to property taxes.

PILOT revenue was reported in the fund financial statements. The TIF has a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT's cease and property taxes then apply to the increased property values.

Note 18 - Contingencies

A. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2016.

B. Litigation

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

Note 19 - Other Commitments

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 203,603
Street Construction, Maintenance and Repair	53,359
Family Recreation Center	35,731
Other nonmajor governmental	<u>254,847</u>
Total	<u>\$ 547,540</u>

Note 20 - Fund Balance

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 resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

Fund balance	General	Street Const. Maintenance and Repair	Family Recreation Center Fund	Special Assessment Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Materials and supplies inventory	\$ 4,931	\$ 226,913	\$ -	\$ -	\$ -	\$ 231,844
Unclaimed monies	10,874	-	-	-	-	10,874
Prepays	-	-	-	-	-	-
Total nonspendable	15,805	226,913	-	-	-	242,718
Restricted:						
Street, Construction Maintenance & Repair	-	152,038	-	-	-	152,038
State Highway Improvement	-	-	-	-	127,634	127,634
Permissive Tax	-	-	-	-	2,231	2,231
Nardonia Hills Home Days	-	-	-	-	40,718	40,718
Motor Vehicle License	-	-	-	-	43,020	43,020
City Income Tax	-	-	-	-	6,093	6,093
Drug Law Enforcement	-	-	-	-	23,816	23,816
Law Enforcement Education	-	-	-	-	24,787	24,787
CDBG Grant	-	-	-	-	2,301	2,301
Mayors Court Computer	-	-	-	-	27,081	27,081
Federal Fire Grants	-	-	-	-	1,871	1,871
Law Enforcement Trust	-	-	-	-	13,613	13,613
Quiet Zone Maintenance Fund	-	-	-	-	15,702	15,702
ARRA Grants Fund	-	-	-	-	5,416	5,416
Federal Equitable Sharing	-	-	-	-	112,060	112,060
K-9 Police Donaton	-	-	-	-	666	666
Wireless E911	-	-	-	-	14,903	14,903
Debt service	-	-	-	141,795	-	141,795
Capital Improvement	-	-	-	-	193,255	193,255
Route 8 and Highland Road	-	-	-	-	41	41
Shepard Road Sanitary Sewers	-	-	-	-	7,458	7,458
Longwood Park Improvements	-	-	-	-	5,912	5,912
Manor House Renovations	-	-	-	-	1,526	1,526
Total restricted	-	152,038	-	141,795	670,104	963,937
Committed:						
Security of persons and property	-	-	-	-	83,115	83,115
Community environment	-	-	-	-	8,665	8,665
Leisure time activities	-	-	1,387,521	-	251,408	1,638,929
Retirement reserve	500,000	-	-	-	-	500,000
Underground storage tank	11,000	-	-	-	-	11,000
Capital projects	-	-	-	-	43,977	43,977
Utility services	-	-	-	-	451,650	451,650
Total committed	511,000	-	1,387,521	-	838,815	2,737,336
Assigned:						
Future Encumbrances	142,274	-	-	-	-	142,274
Budgetary Resources	1,809,365	-	-	-	-	1,809,365
Total assigned	1,951,639	-	-	-	-	1,951,639
Unassigned (deficit)	1,880,572	-	-	-	(45,937)	1,834,635
Total fund balances	\$ 4,359,016	\$ 378,951	\$ 1,387,521	\$ 141,795	\$ 1,462,982	\$ 7,730,265

Note 21 – Tax Abatement

As of December 31, 2016, the City provides tax abatements through the Community Reinvestment Area (CRA) program:

The Ohio Community Reinvestment Area program is an economic development tool administered by the City that provides real property tax exemptions for property owners who renovate existing or construct

City of Macedonia
Summit County, Ohio

Notes to Basic Financial Statements
For the Year Ended December 31, 2016

new buildings. Under Ohio Revised Code section 3765 to 3735.70, city, village or county can petition the Ohio Department of Development to confirm that investment in a particular geographical area. Once the Department has confirmed the investment in the area, the community may offer real estate tax exemptions to taxpayers who are willing to invest in the area. Up to 12 years may be exempt for commercial and industrial remodeling and up to 15 years may be exempt for new construction. State law requires reimbursement agreements with school districts for tax revenue losses for CRA in place after 1994. It is the City's policy to have reimbursement agreements with school districts for any CRA prior to 1994. Payments in lieu of taxes paid by the property owner directly to the school districts as required by the agreement are not reduced from the total amount of taxes abated.

<u>Tax Abatement Program</u>	<u>City's Share of Taxes Abated</u>
Community Reinvestment Program:	\$10,901

The abatements will be terminated if the property is deemed delinquent, behind on payments, or the terms and conditions of the CRA are not adhered to and no recapture provisions noted.

Note 22 – Implementation of New Accounting Principles

For the fiscal year ended December 31, 2016, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the City's note disclosures.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.

GASB Statement No. 77 establishes improved financial reporting by giving users of financial statements

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The implementation of GASB Statement No 77 did not have an effect on the financial statements of the City.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the City.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Macedonia, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Public Employees Retirement System - Traditional Plan
 Last Three Fiscal Years (1) (2)

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.023602%	0.023912%	0.023912%
City's Proportionate Share of the Net Pension Liability	\$4,088,065	\$2,806,984	\$2,743,583
City's Covered-Employee Payroll	\$3,457,500	\$2,933,192	\$2,787,623
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	118.24%	95.70%	98.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) - The schedule is intended to show Information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

(2) - Amounts presented as of the City's measurement date which is the prior fiscal year end.

City of Macedonia, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Three Fiscal Years (1) (2)

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.1352880%	0.0239120%	0.0239120%
City's Proportionate Share of the Net Pension Liability	\$8,703,172	\$6,980,575	\$6,562,714
City's Covered-Employee Payroll	\$2,632,917	\$2,812,122	\$1,925,749
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	330.55%	248.23%	340.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	72.20%	73.00%

(1) - The schedule is intended to show Information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

(2) - Amounts presented as of the City's measurement date which is the prior fiscal year end.

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

	2016	2015	2014	2013	2012
Contractually Required Contribution	\$405,972	\$414,900	\$351,983	\$362,391	\$265,688
		0	0	0	0
Contributions in Relation to the Contractually Required Contribution	(405,972)	(414,900)	(351,983)	(362,391)	(265,688)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0
City's Covered-Employee Payroll	\$3,383,100	\$3,457,500	\$2,933,192	\$2,787,623	\$2,656,880
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	13.00%	10.00%

2011	2010	2009	2008	2007
\$254,747 0	\$236,433 0	\$247,237 0	\$271,896 0	\$291,242 0
(254,747)	(236,433)	(247,237)	(271,896)	(291,242)
\$0	\$0	\$0	\$0	\$0
\$2,547,470	\$2,651,585	\$3,042,917	\$3,884,229	\$3,487,928
10.00%	8.92%	8.12%	7.00%	8.35%

City of Macedonia, Ohio
 Required Supplementary Information
 Schedule of City Contributions
 Ohio Police and Fire Pension Fund
 Last Three Fiscal Years (1)

	2016	2015	2014	2013	2012
Contractually Required Contribution	\$658,089	\$528,953 0	\$572,548 0	\$343,415	\$330,137
Contributions in Relation to the Contractually Required Contribution	<u>(658,089)</u>	<u>(528,953)</u>	<u>(572,548)</u>	<u>(343,415)</u>	<u>(330,137)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's Covered-Employee Payroll	\$3,463,626	\$2,632,917	\$2,812,122	\$2,010,626	\$2,265,868
Contributions as a Percentage of Covered-Employee Payroll	19.00%	20.09%	20.36%	17.08%	14.57%

2011	2010	2009	2008	2007
\$320,986	\$333,061	\$326,544	\$352,617	\$298,214
(320,986)	(333,061)	(326,544)	(352,617)	(298,214)
\$0	\$0	\$0	\$0	\$0
\$2,268,452	\$2,389,247	\$2,337,466	\$2,472,770	\$2,034,202
14.15%	13.94%	13.97%	14.26%	14.66%

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CITY OF MACEDONIA

Summit County, Ohio



*Welcome to the City of Macedonia, Ohio
The Crossroad of Northeast Ohio*

Yellow Book Report

December 31, 2016

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City of Macedonia
Summit County
9691 Valley View Road
Macedonia, Ohio 44056

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Macedonia (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
June 22, 2017

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Dave Yost • Auditor of State

CITY OF MACEDONIA

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 24, 2017