

CITY OF MACEDONIA

Summit County, Ohio



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

Basic Financial Statements

December 31, 2017



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Macedonia, Summit County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2017 through December 31, 2017. 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

June 18, 2018

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INDEPENDENT AUDITOR'S 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, 2017, 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, 2017, and the respective changes in financial position thereof and the respective budgetary comparisons for the General 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 May 31, 2018, 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
May 31, 2018

**City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(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, 2017. 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 2017 are:

- City income tax revenue totaled \$8,923,510. This is an increase of \$668,646 or 8.1 percent from 2016. The City had a 2.00 percent municipal income tax rate through July collections and 2.25 percent for the remainder of the year.
- Total assets increased by \$1,225,587, a 1.8 percent increase from 2016.
- Total net position decreased by \$2,941,658, a 6.4 percent decrease from 2016.
- Total capital assets, net of depreciation increased \$750,073, a 1.45 percent increase from 2016.
- Total outstanding long-term liabilities increased \$2,657,032, a 12.8 percent increase from 2016.
- The total governmental fund balances for the City decreased from \$7,730,265 to \$6,065,324.
- The general fund ended the year with a fund balance of \$3,663,890.

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 2017?" 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.

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Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(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, the family recreation center fund, and the road program 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, 2017
(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, 2017 and December 31, 2016.

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City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

Table 1
Net Position
Governmental Activities

	2017	2016	Change
<u>Assets</u>			
Current assets	\$14,721,556	\$14,246,042	\$475,514
Capital assets, net	52,439,141	51,689,068	750,073
Total assets	67,160,697	65,935,110	1,225,587
<u>Deferred outflows of resources</u>			
Pension	4,582,592	3,731,416	851,176
Total deferred outflows of resources	4,582,592	3,731,416	851,176
<u>Liabilities</u>			
Current liabilities	2,934,875	585,490	2,349,385
Long-term liabilities:			
Due within one year	1,090,772	904,366	186,406
Net pension liability	15,105,234	12,791,237	2,313,997
Other amounts	7,260,345	7,103,716	156,629
Total liabilities	26,391,226	21,384,809	5,006,417
<u>Deferred inflows of resources</u>			
Property and income taxes	2,322,247	2,263,285	58,962
Pension	56,471	103,429	(46,958)
Total deferred inflows of resources	2,378,718	2,366,714	12,004
<u>Net Position</u>			
Net investment in capital assets	43,684,270	44,704,292	(1,020,022)
Restricted	2,463,513	2,345,562	117,951
Unrestricted (deficit)	(3,174,438)	(1,134,851)	(2,039,587)
Total net position	\$42,973,345	\$45,915,003	(\$2,941,658)

The largest portion of the City's net position 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

**City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)**

increased \$2,076,763 from 2016 to 2017. The City's total liabilities and deferred inflows of resources increased \$5,018,421 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 2017 and 2016.

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**City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)**

**Table 2
Change in Net Position**

	Governmental Activities 2017	Governmental Activities 2016	Change
Revenues			
Program revenues:			
Charges for services	\$3,695,856	\$3,500,002	\$195,854
Operating grants and contributions	808,355	739,998	68,357
Capital grants and contributions	235,275	299,479	(64,204)
Total program revenues	4,739,486	4,539,479	200,007
General revenues:			
Property taxes	2,358,107	2,287,065	71,042
Payment in Lieu of Taxes	0	603,429	(603,429)
Income taxes	8,923,510	8,254,864	668,646
Unrestricted grants and entitlements	441,597	512,692	(71,095)
Investment earnings	49,273	29,125	20,148
Miscellaneous	861,650	584,358	277,292
Total general revenues	12,634,137	12,271,533	362,604
Total revenues	17,373,623	16,811,012	562,611
Expenses:			
General government	3,252,710	2,610,020	642,690
Public safety	8,447,810	7,337,784	1,110,026
Community development	558,565	1,096,468	(537,903)
Leisure time activity	2,489,696	2,251,320	238,376
Transportation and street repair	4,376,672	4,334,376	42,296
Basic utility services	709,600	516,629	192,971
Public health and welfare	218,900	223,870	(4,970)
Interest and other charges	261,328	225,730	35,598
Total expenses	20,315,281	18,596,197	1,719,084
Change in net position	(2,941,658)	(1,785,185)	(1,156,473)
Net position at beginning of year	45,915,003	47,700,188	(1,785,185)
Net position at end of year	\$42,973,345	\$45,915,003	(\$2,941,658)

**City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)**

Governmental Activities

The City's net position for governmental activities decreased \$2,941,658 during 2017. Table 2 indicates total revenues increased by \$562,611. At the same time program expenses increased by \$1,719,084. The increase in revenue is primarily a result of increase in income tax revenue.

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 through June 30, 2017 then increased to 2.25 percent starting July 1, 2017. 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 2.25 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 2017 increased by \$200,007. Operating grants and contributions increased \$68,357, capital grants and contributions decreased \$64,204 and charges for services and sales increased \$195,854.

Total general revenues for 2017 increased by \$562,611 compared to 2016. This increase is largely due to the increase in income tax revenues for 2017. The miscellaneous revenues for 2017 were \$861,650. Of the \$17,373,623 in total revenues, income tax accounts for 51.3 percent of the total governmental revenues. Property taxes for 2017 were \$2,358,107.

During 2017, the City experienced a 9.24 percent increase in its program expenses. The largest program function for the City normally relates to public safety expenses. Public safety expenses increased 15.1 percent in 2017. 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 \$3,252,710 for 2017.

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 \$20,543,910 and expenditures and other financing uses of \$22,150,961. 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 \$3,663,890 on a modified accrual basis. This is a decrease of \$695,126 from the 2016 ending balance.

The family recreation center fund ended the year with a fund balance of \$1,556,694. This is an increase of \$169,173 from the year-end balance in 2016.

**City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)**

The Road Program Fund ended the year with a fund balance of (\$980,630). This was a new fund for 2017.

For all other governmental funds, the end of year fund balance decreased to \$1,825,370 in 2017.

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 \$11,467,366 and the final budgeted revenues were \$12,972,913. Actual revenues of \$12,960,076 were \$12,837 less than the final budget.

The original budget estimated expenditures and other financing uses were \$13,480,333 and the final budgeted expenditures and other financing uses were \$14,622,066. Actual expenditures and other financing uses were \$13,531,506. Actual expenditures were \$1,130,560 less than the final budget.

Capital Assets and Long-Term Obligations

Table 3
**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$8,415,883	\$8,415,883
Construction in Progress	1,548,927	0
Buildings and Improvements	8,339,524	8,157,647
Machinery and Equipment	3,218,155	2,967,927
Infrastructure	<u>30,916,652</u>	<u>32,147,611</u>
<i>Totals</i>	<u>\$52,439,141</u>	<u>\$51,689,068</u>

Total capital assets, net of depreciation for governmental activities of the City for 2017 were \$52,439,141 a \$750,073 increase from the 2016 balance. The increase is primarily due to purchases of machinery and equipment and new construction in progress. 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, 2017
(Unaudited)**

Long-Term Obligations

On December 31, 2017, the City of Macedonia had \$4,105,000 in general obligation bonds, \$785,600 in special assessment bonds, \$1,498,412 in a lease purchase agreement, \$322,503 in OPWC loans, and \$414,195 in SIB loans outstanding.

**Table 4
Outstanding Long-Term Obligations at End of Year**

	Governmental	
	2017	2016
General Obligation Bonds	\$4,105,000	\$4,350,000
Special Assessment Bonds	785,600	882,200
Lease purchase agreement	1,498,412	794,102
OPWC Loan	322,503	356,451
SIB Loans	414,195	502,000
Totals	\$7,125,710	\$6,884,753

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 2017, the General fund expenditures plus year end encumbrances totaled \$13,531,506. This was \$1,130,560 below the General fund budget of \$14,662,066. In addition, the city ended 2017 with an unencumbered General fund cash balance of \$1,221,028.

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, 2017

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$6,629,744
Receivables (Net):	
Taxes	5,974,923
Accounts	361,615
Interest	16,871
Intergovernmental	592,590
Special Assessments	942,612
Inventory	173,954
Prepaid Items	29,247
Nondepreciable Capital Assets	9,964,810
Depreciable Capital Assets, Net	<u>42,474,331</u>
 Total Assets	 <u>67,160,697</u>
 Deferred Outflows of Resources:	
Pension	<u>4,582,592</u>
 Total Deferred Outflows of Resources	 <u>4,582,592</u>
 Liabilities:	
Accounts Payable	436,189
Accrued Wages and Benefits	469,854
Contracts Payable	104,224
Accrued Interest Payable	24,608
Bond Anticipation Notes Payable	1,900,000
Long-Term Liabilities:	
Due Within One Year	1,090,772
Due In More Than One Year	
Net Pension Liability	15,105,234
Other Amounts	<u>7,260,345</u>
 Total Liabilities	 <u>26,391,226</u>
 Deferred Inflows of Resources:	
Property and Income Taxes	2,322,247
Pension	<u>56,471</u>
 Total Deferred Inflows of Resources	 <u>2,378,718</u>
 Net Position:	
Net Investment in Capital Assets	43,684,270
Restricted for:	
Debt Service	840,745
Capital Projects	484,570
Street Construction and Maintenance	785,431
Fire services	1,871
Police Services and Programs	142,360
Other Purposes	208,536
Unrestricted	<u>(3,174,438)</u>
 Total Net Position	 <u><u>\$42,973,345</u></u>

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2017

	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	\$3,252,710	\$572,782	\$0	\$0	(\$2,679,928)
Public Safety	8,447,810	1,942,917	183,839	0	(6,321,054)
Community Development	558,565	192,424	0	23,186	(342,955)
Leisure Time Activities	2,489,696	828,524	1,000	0	(1,660,172)
Transportation and Street Repair	4,376,672	0	623,516	212,089	(3,541,067)
Basic Utility Service	709,600	133,327	0	0	(576,273)
Public Health and Welfare	218,900	25,882	0	0	(193,018)
Interest and Other Charges	261,328	0	0	0	(261,328)
Totals	\$20,315,281	\$3,695,856	\$808,355	\$235,275	(15,575,795)
General Revenues:					
					8,923,510
					Income Taxes
					Property Taxes Levied for:
					General Purposes
					Special Revenue Purposes
					Grants and Entitlements, Not Restricted
					Investment Earnings
					Other Revenues
					861,650
					Total General Revenues
					12,634,137
					Change in Net Position
					(2,941,658)
					Net Position - Beginning of Year
					45,915,003
					Net Position - End of Year
					\$42,973,345

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Balance Sheet
Governmental Funds
December 31, 2017

	General	Family Recreation Center	Road Program Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$2,504,588	\$1,526,047	\$808,902	\$1,790,207	\$6,629,744
Receivables (Net):					
Taxes	4,695,947	202,467	490,483	586,026	5,974,923
Accounts	361,615	0	0	0	361,615
Interest	16,871	0	0	0	16,871
Intergovernmental	192,806	0	0	399,784	592,590
Special Assessments	148,466	0	0	794,146	942,612
Inventory	4,931	0	0	169,023	173,954
Prepaid Items	19,293	2,811	0	7,143	29,247
Total Assets	7,944,517	1,731,325	1,299,385	3,746,329	14,721,556
Liabilities:					
Accounts Payable	216,931	34,421	5,228	179,609	436,189
Accrued Wages and Benefits	309,091	28,524	0	132,239	469,854
Compensated Absences	6,670	0	0	0	6,670
Contracts Payable	0	0	104,224	0	104,224
Bond Anticipation Notes Payable	0	0	1,900,000	0	1,900,000
Total Liabilities	532,692	62,945	2,009,452	311,848	2,916,937
Deferred Inflows of Resources:					
Property and Income Taxes	3,345,796	111,686	270,563	586,026	4,314,071
Grants and Other Taxes	81,333	0	0	228,939	310,272
Special Assessments	148,466	0	0	794,146	942,612
Accounts	172,340	0	0	0	172,340
Total Deferred Inflows of Resources	3,747,935	111,686	270,563	1,609,111	5,739,295
Fund Balances:					
Nonspendable	35,833	2,811	0	176,166	214,810
Restricted	0	0	0	1,055,044	1,055,044
Committed	511,000	1,553,883	0	620,338	2,685,221
Assigned	1,069,497	0	0	0	1,069,497
Unassigned	2,047,560	0	(980,630)	(26,178)	1,040,752
Total Fund Balances	3,663,890	1,556,694	(980,630)	1,825,370	6,065,324
Total Liabilities, Deferred Inflows and Fund Balances	\$7,944,517	\$1,731,325	\$1,299,385	\$3,746,329	\$14,721,556

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, 2017

Total Governmental Fund Balance		\$6,065,324
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		52,439,141
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Income Taxes	1,884,676	
Delinquent Property Taxes	107,148	
Intergovernmental	310,272	
Other Receivables	<u>1,114,952</u>	
		3,417,048
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.		
		(24,608)
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		(1,125,901)
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	4,582,592	
Deferred inflows of resources related to pensions	<u>(56,471)</u>	
		4,526,121
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(15,105,234)	
Other Amounts	<u>(7,218,546)</u>	
		<u>(22,323,780)</u>
Net Position of Governmental Activities		<u>\$42,973,345</u>

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, 2017

	General	Family Recreation Center	Road Program Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Taxes	\$1,870,840	\$0	\$0	\$494,501	\$2,365,341
Income Taxes	7,342,792	747,622	682,310	63,623	8,836,347
Charges for Services	1,868,922	707,106	0	178,271	2,754,299
Investment Earnings	49,273	0	0	0	49,273
Intergovernmental	915,525	0	0	1,090,984	2,006,509
Special Assessments	1,080	0	0	259,195	260,275
Fines, Licenses & Permits	622,040	0	0	17,023	639,063
Rental Income	0	0	0	44,594	44,594
Other Revenues	20,403	22,147	0	644,268	686,818
Total Revenues	12,690,875	1,476,875	682,310	2,792,459	17,642,519
Expenditures:					
Current:					
General Government	2,713,912	0	0	16,183	2,730,095
Public Safety	7,260,094	0	0	599,590	7,859,684
Community Development	484,334	0	0	8,550	492,884
Leisure Time Activities	0	1,307,702	0	748,029	2,055,731
Transportation and Street Repair	0	0	0	2,057,768	2,057,768
Basic Utility Service	93,313	0	0	213,601	306,914
Public Health and Welfare	218,900	0	0	0	218,900
Capital Outlay	0	0	1,645,777	1,856,386	3,502,163
Debt Service:					
Principal	486,895	0	0	204,048	690,943
Interest and Other Charges	159,062	0	17,163	90,163	266,388
Total Expenditures	11,416,510	1,307,702	1,662,940	5,794,318	20,181,470
Excess of Revenues Over (Under) Expenditures	1,274,365	169,173	(980,630)	(3,001,859)	(2,538,951)
Other Financing Sources (Uses):					
Proceeds of Capital Leases	0	0	0	931,900	931,900
Transfers In	0	0	0	1,969,491	1,969,491
Transfers (Out)	(1,969,491)	0	0	0	(1,969,491)
Total Other Financing Sources (Uses)	(1,969,491)	0	0	2,901,391	931,900
Net Change in Fund Balance	(695,126)	169,173	(980,630)	(100,468)	(1,607,051)
Fund Balance - Beginning of Year	4,359,016	1,387,521	0	1,983,728	7,730,265
Change in Reserve for Inventory	0	0	0	(57,890)	(57,890)
Fund Balance - End of Year	\$3,663,890	\$1,556,694	(\$980,630)	\$1,825,370	\$6,065,324

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, 2017

Net Change in Fund Balance - Total Governmental Funds (\$1,607,051)

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	3,264,736	
Depreciation Expense	<u>(2,514,663)</u>	
		750,073

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	1,179,489	
Cost of benefits earned net of employee contributions	<u>(2,595,352)</u>	
		(1,415,863)

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

Income Taxes	86,371	
Delinquent Property Taxes	(7,234)	
Intergovernmental	(172,404)	
Other	<u>(175,629)</u>	
		(268,896)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 690,943

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. (2,127)

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	(106,134)	
Amortization of Bond Premium	7,187	
Change in Inventory	<u>(57,890)</u>	
		(156,837)

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. (931,900)

Change in Net Position of Governmental Activities (\$2,941,658)

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, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property Taxes	\$1,640,197	\$1,855,538	\$1,853,702	(\$1,836)
Income Taxes	6,622,881	7,492,398	7,484,984	(7,414)
Charges for Services	1,826,564	2,066,373	2,064,328	(2,045)
Investment Earnings	46,142	52,200	52,148	(52)
Intergovernmental	749,617	848,034	847,195	(839)
Special Assessments	956	1,081	1,080	(1)
Fines, Licenses & Permits	550,395	622,656	622,040	(616)
Other Revenues	30,614	34,633	34,599	(34)
Total Revenues	11,467,366	12,972,913	12,960,076	(12,837)
Expenditures:				
Current:				
General Government	2,682,609	2,990,938	2,692,793	298,145
Public Safety	7,745,401	8,194,340	7,774,803	419,537
Community Environment	496,070	635,543	497,953	137,590
Debt Service:				
Principal Retirement	485,054	488,183	486,895	1,288
Interest and Fiscal Charges	158,460	159,062	159,062	0
Total Expenditures	11,567,594	12,468,066	11,611,506	856,560
Excess of Revenues Over (Under) Expenditures	(100,228)	504,847	1,348,570	843,723
Other Financing Sources (Uses):				
Transfers (Out)	(1,912,739)	(2,194,000)	(1,920,000)	274,000
Total Other Financing Sources (Uses)	(1,912,739)	(2,194,000)	(1,920,000)	274,000
Net Change in Fund Balance	(2,012,967)	(1,689,153)	(571,430)	1,117,723
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,792,458	1,792,458	1,792,458	0
Fund Balance End of Year	(\$220,509)	\$103,305	\$1,221,028	\$1,117,723

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, 2017

	Family Recreation Center Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Income Taxes	\$662,138	\$816,068	\$861,704	\$45,636
Charges for Services	27,141	33,450	35,321	\$1,871
Other Revenues	533,221	657,181	693,932	36,751
Total Revenues	1,222,500	1,506,699	1,590,957	84,258
Expenditures:				
Current:				
Leisure Time	1,354,781	1,574,781	1,392,179	182,602
Total Expenditures	1,354,781	1,574,781	1,392,179	182,602
Net Change in Fund Balance	(132,281)	(68,082)	198,778	266,860
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,235,628	1,235,628	1,235,628	0
Fund Balance End of Year	\$1,103,347	\$1,167,546	\$1,434,406	\$266,860

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$560,486
Receivables (Net):	
Taxes	<u>155,713</u>
Total Assets	<u><u>716,199</u></u>
Liabilities:	
Accounts Payable	76,868
Accrued Wages and Benefits	38,973
Deposits held and due to others	<u>600,358</u>
Total Liabilities	<u><u>\$716,199</u></u>

See accompanying notes to the basic financial statements.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

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.

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, 2017

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.

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.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

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.

Road Program Fund – The road program fund accounts for the improvement of roads in the city.

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.

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.

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, 2017

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 on the government-wide statements 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. For more pension related information, see Note 11.

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, accounts receivable, and pension. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 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. Deferred inflows related to pension are reported on the government-wide statement of net position. For more pension related information, see Note 11.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

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.

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.

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."

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.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

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, 2017.

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 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 2017, 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 2017 amounted to \$49,273.

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.

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.

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.

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

estimated acquisition year). Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. 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.

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.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

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.

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.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

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.

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 \$2,463,513 in restricted net position, none was restricted by enabling legislation.

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.

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.

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.

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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

Deficit Fund Balances

Fund balances at December 31, 2017 included the following individual fund deficits:

<u>Other Governmental Funds</u>	<u>Deficit</u>
Road Program Fund	\$980,630
CDBG Grant	13,167
Fire Operating Levy	13,011

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);

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- (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).

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:

	General	Family Recreation Center
	<u> </u>	<u> </u>
GAAP basis	(\$695,126)	\$169,173
Net adjustment for revenue accruals	269,201	114,082
Net adjustment for expenditure accruals	135,833	7,164
Net adjustment for other sources/uses	49,491	0
Adjustment for encumbrances	<u>(330,829)</u>	<u>(91,641)</u>
Budget basis	<u><u>(\$571,430)</u></u>	<u><u>\$198,778</u></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:

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1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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".

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Deposits

Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2017, \$734,893 of the City’s bank balance of \$1,242,974 was exposed to custodial risk as discussed below, while \$508,081 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 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, 2017, the City had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>	<u>Wiegthed Average of Maturity</u>
Money Market Funds	\$123,612	N/A	0.00
STAR Ohio	63,663	N/A	0.14
Federal Farm Credit Bank	784,986	Level 2	1.02
Federal Home Loan Bank	1,365,916	Level 2	4.04
Federal National Mortgage Association	992,010	Level 2	1.40
Negotiable Certificates of Deposit	<u>2,610,236</u>	Level 2	2.26
Total	<u>\$5,940,423</u>		
Portfolio Weighted Average Maturity			2.29

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, 2017. 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.

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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 carries 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 money market funds are not rated. The City has no investment policy that addresses credit risk.

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, 2017:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Money Market Funds	\$123,612	2%
STAR Ohio	63,663	1%
Federal Farm Credit Bank	784,986	13%
Federal Home Loan Bank	1,365,916	23%
Federal National Mortgage Association	992,010	17%
Negotiable Certificates of Deposit	<u>2,610,236</u>	<u>44%</u>
Total	<u>\$5,940,423</u>	<u>100%</u>

Note 6 – Receivables

Receivables at December 31, 2017, 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 \$148,466 in the general fund and \$794,146 in the other governmental funds.

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.

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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. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 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 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, 2017 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 2017 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, 2017 was \$8.90 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2017 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$287,440,030
Commercial/Industrial/Mineral	105,133,610
Public utility	<u>30,780,510</u>
Total Assessed Value	<u><u>\$423,354,150</u></u>

Income Taxes

The City levied a 2.00 percent (January-June) and a 2.25 percent (July-December) 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, 77.8 percent of the City's

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net income tax collections will be allocated to general fund, 12.9 percent for road projects and improvements, 7.1 percent to parks and recreation center (25% of the 7.1% for park and 75% of the 7.1% to the recreation center), and 2.2 percent will be refund back to the residents of the City that are affected by the voted increase of 0.25%.

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 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

Interfund transfers for the year ended December 31, 2017, consisted of the following, as reported on the fund financial statements:

<u>Transfers from General Fund to:</u>	<u>Amount</u>
Other Governmental Funds	<u>\$1,969,491</u>
Total	<u>\$1,969,491</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.

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Note 9 - Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital Assets Not Being Depreciated				
Land	\$8,415,883	\$0	\$0	\$8,415,883
Construction in Progress	0	1,548,927	0	1,548,927
Total Capital Assets Not Being Depreciated	<u>8,415,883</u>	<u>1,548,927</u>	<u>0</u>	<u>9,964,810</u>
Capital Assets Being Depreciated				
Buildings and Improvements	12,667,936	468,456	0	13,136,392
Machinery and Equipment	7,441,000	870,296	0	8,311,296
Infrastructure	54,637,072	377,057	0	55,014,129
Total Capital Assets Being Depreciated	<u>74,746,008</u>	<u>1,715,809</u>	<u>0</u>	<u>76,461,817</u>
Less Accumulated Depreciation				
Buildings and Improvements	4,510,289	286,579	0	4,796,868
Machinery and Equipment	4,473,073	620,068	0	5,093,141
Infrastructure	22,489,461	1,608,016	0	24,097,477
Total Accumulated Depreciation	<u>31,472,823</u>	<u>2,514,663</u>	<u>0</u>	<u>33,987,486</u>
Total Capital Assets Being Depreciated, Net	<u>43,273,185</u>	<u>(798,854)</u>	<u>0</u>	<u>110,449,303</u>
Governmental Activities Capital Assets, Net	<u>\$51,689,068</u>	<u>\$750,073</u>	<u>\$0</u>	<u>\$52,439,141</u>

Depreciation expense was charged to governmental functions as follow:

General government	\$129,762
Security of persons and property	258,459
Leisure time activities	178,826
Community environment	738
Basic Utility Services	402,686
Transportation	<u>1,544,192</u>
Total	<u>\$2,514,663</u>

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Note 10 - Risk Management

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, 2017, the City contracted with the Ohio Municipal League Self Insurance Pool, which is administered by Nixon Laurianti Insurance Agency, Inc., as follows:

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.

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

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on

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a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

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

Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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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>
2017 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2017 Actual Contribution Rates			
Employer:			
Pension	13.0 %	17.1 %	17.1 %
Post-employment Health Care Benefits	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Total Employer	<u><u>14.0 %</u></u>	<u><u>18.1 %</u></u>	<u><u>18.1 %</u></u>
Employee	<u><u>10.0 %</u></u>	<u><u>12.0 %</u></u>	<u><u>13.0 %</u></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 is contractually required contribution was \$444,059 for 2017. Of this amount \$99,973 is reported as accrued wages and benefits.

Ohio Police & Fire Pension Fund (OPF)

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

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

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

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

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

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

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

	<u>Safety Officers</u>	<u>Firefighters</u>
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

The City's contractually required contribution to OPF was \$735,430 for 2017. Of this amount \$96,626 is reported as accrued wages and benefits.

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

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. 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>OPF</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$5,944,579	\$9,160,655	\$15,105,234
Proportion of the Net Pension Liability			
Current Measurement Date	0.02617800%	0.14462900%	
Proportion of the Net Pension Liability			
Prior Measurement Date	<u>0.02360200%</u>	<u>0.13528800%</u>	
Change in Proportionate Share	0.0025760%	0.0093410%	
Pension Expense	\$1,377,625	\$1,217,727	\$2,595,352

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$8,057	\$2,592	\$10,649
Changes in assumptions	942,883	0	942,883
Net difference between projected and actual earnings			
on pension plan investments	885,285	890,833	1,776,118
Changes in employer proportionate share of net			
pension liability	232,870	440,583	673,453
Contributions subsequent to the measurement date	<u>444,059</u>	<u>735,430</u>	<u>1,179,489</u>
Total Deferred Outflows of Resources	<u>\$2,513,154</u>	<u>\$2,069,438</u>	<u>\$4,582,592</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	<u>\$35,379</u>	<u>\$21,092</u>	<u>\$56,471</u>
Total Deferred Inflows of Resources	<u>\$35,379</u>	<u>\$21,092</u>	<u>\$56,471</u>

\$1,179,489 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Year Ending December 31:	OPERS	OPF	Total
2018	\$859,790	\$425,236	\$1,285,026
2019	876,196	425,236	1,301,432
2020	323,680	344,506	668,186
2021	(25,950)	26,466	516
2022	0	83,146	83,146
Thereafter	0	8,326	8,326
Total	<u>\$2,033,716</u>	<u>\$1,312,916</u>	<u>\$3,346,632</u>

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board’s actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% down to 7.5%, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

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Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2016
Experience Study	5 year period ending December 31, 2015
Actuarial Cost Method	Individual Entry Age
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Cost-of-Living Adjustments:	
Pre 1/7/2013 Retirees	3.00% Simple,
Post 1/7/2013 Retirees	3.00% Simple,
Through 2018, then	2.15% Simple.

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

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.

During 2016, OPERS managed 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 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

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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 defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2016 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 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate - The discount rate used to measure the total pension liability was 7.5%, post-experience study results, 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 7.5%, 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 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
City's proportionate share of the net pension liability:			
OPERS	\$9,081,672	\$5,944,579	\$3,330,365

Changes in Benefit Terms and Assumptions - There were no recent significant changes of benefit terms, investment policies, the size or composition of the population covered by the benefit terms impacting the actuarial valuation study for the year ended December 31, 2016.

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In 2016, a five-year experience study was completed on the period January 1, 2011 through December 31, 2015. The Board adopted changes to both the demographic and economic assumptions as a result of the study. The most notable change in demographic assumptions is an increased life expectancy of the members and the most notable change in economic assumptions is the reduction in the actuarially assumed rate of return from 8.00% down to 7.50% for the defined benefit investments. The new assumptions are included in the 2016 actuarial valuation.

In 2016, OPERS, in conjunction with the Board’s investment consultants, also completed an asset liability study. Periodically, the System engages in a more comprehensive study that examines the nature of the pension liabilities the plan will ultimately pay and the characteristics of the asset allocation projections and the associated level of risk. As a result of this study, OPERS modified the asset allocation slightly, but not substantively.

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	OPF Pension Plan
Valuation Date	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Experience Study	5 year period ending December 31, 2011
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions:	
Investment Rate of Return	8.25%
Wage Inflation	3.25%, plus productivity increase rate of 0.50%
Projected Salary Increases	4.25% - 11.00%
Cost-of-Living Adjustments	3.00% Simple; 2.60% simple for increases based on the lesser of the increase in CPI and 3.00%

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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 (safety officers) and three years for firefighters. For service retirements, set back zero years for police (safety officers) 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 of five years was completed in 2017 covering the period 2012-2016.

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 OPF's 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 real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalent	0.00 %	0.00 %	0.00 %
Domestic Equity	16.00	4.46	5.21
Non-US Equity	16.00	4.66	5.40
Core Fixed Income*	20.00	1.67	2.37
Global Inflation Protected Securities*	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Timber	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
Total	120.00 %		

Note: Assumptions are geometric

* levered 2x

** Numbers are net of expected inflation

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 8.25%. 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.

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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 preceding table presents the net pension liability calculated using the discount rate of 8.25% 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% or one percentage point higher, 9.25% 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 :			
OPF	\$12,200,908	\$9,160,655	\$6,584,001

Changes in Benefit Terms and Assumptions - There have been no plan amendments adopted or changes in assumptions since the latest actuarial valuation, as of January 1, 2016, with actuarial liability rolled forward to December 31, 2016.

Note 12 - Postretirement Benefit Plans

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.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for 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 CAFR for details.

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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 2017, 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 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% 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 \$34,145 for 2017, \$62,554 for 2016, and \$69,162 for 2015. The full amount has been contributed for 2017, 2016 and 2015.

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 healthcare 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 healthcare coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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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 healthcare 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 healthcare benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the healthcare 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 healthcare 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, 2017 was \$17,483, December 31, 2016 was \$13,048, and December 31, 2015 was \$12,936. The actual contributions for 2017, 2016 and 2015 were 100%.

Note 13 - Capital Leases

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.

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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 various heavy machinery, vehicles and dump trucks. 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, 2017.

Years	Lease Purchase Agreement	
	Principal	Interest
2018	\$389,972	\$34,097
2019	399,262	24,807
2020	322,875	15,617
2021	162,708	8,219
2022	25,724	4,964
2023-2027	137,487	15,954
2028-2029	60,384	1,993
Total	<u>\$1,498,412</u>	<u>\$105,651</u>

Capital assets acquired by lease have been capitalized as follows:

Vehicles \$ 2,138,775

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, 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
North Freeway Drive, 2006	5.38	543,300	December 1, 2026
Ohio Public Works Commission Loan (OPWC) North Freeway Drive Project, 2005	0.00	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 2017 are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due in One Year
General Obligation Bonds					
Various Purpose Bonds, 2010	\$4,350,000	\$0	(\$245,000)	\$4,105,000	\$255,000
<i>Total General Obligation Bonds</i>	<u>4,350,000</u>	<u>0</u>	<u>(245,000)</u>	<u>4,105,000</u>	<u>255,000</u>
Special Assessment Bonds with Governmental Commitment					
Highland Road Improvement Variance, 2003	540,000	0	(70,000)	470,000	70,000
North Freeway Drive, 2006	342,200	0	(26,600)	315,600	28,100
<i>Total Special Assessment Bonds</i>	<u>882,200</u>	<u>0</u>	<u>(96,600)</u>	<u>785,600</u>	<u>98,100</u>
Ohio Department of Transportation (ODOT)					
State Infrastructure Bank Loans (I-271 Ramp)	502,000	0	(87,805)	414,195	30,151
Ohio Public Works Commission Loan (OPWC)					
North Freeway Drive Project, 2005	356,451	0	(33,948)	322,503	33,948
Net Pension Liability	12,791,237	2,313,997	0	15,105,234	0
Compensated Absences Payable	1,023,306	353,379	(244,114)	1,132,571	283,601
Lease Purchase Agreement	794,102	931,900	(227,590)	1,498,412	389,972
Premiums	100,023	0	(7,187)	92,836	0
Total Governmental Long-Term Liabilities	<u>\$20,799,319</u>	<u>\$3,599,276</u>	<u>(\$942,244)</u>	<u>\$23,456,351</u>	<u>\$1,090,772</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.

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):

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

<u>Year</u>	<u>Principal Amount</u>
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

Principal and interest requirements to retire the long-term obligations as of December 31, 2017, are as follows:

<u>Years</u>	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>		<u>OPWC Loans</u>	<u>SIB Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2018	\$255,000	\$161,000	\$98,100	\$35,406	\$33,948	\$30,151	\$6,439
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	285,000	121,800	119,700	16,766	33,948	67,428	5,752
2023-2026	1,640,000	425,400	244,100	23,249	152,763	125,971	5,328
2027-2030	1,120,000	90,200	0	0	0	0	0
Total	<u>\$4,105,000</u>	<u>\$1,228,350</u>	<u>\$785,600</u>	<u>\$154,718</u>	<u>\$322,503</u>	<u>\$414,195</u>	<u>\$46,413</u>

**City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2017**

Note 15 - Jointly Governed Organization

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.

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.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

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

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, 2017.

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:

**City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2017**

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	\$330,829
Family Recreation Center	91,641
Road Program Fund	299,200
Other Nonmajor Governmental	<u>599,570</u>
Total	<u>\$1,321,240</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:

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City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

Fund balance	General	Family Recreation Center Fund	Road Program	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$4,931	\$0	\$0	\$169,023	\$173,954
Unclaimed monies	11,609	0	0	0	11,609
Prepays	19,293	2,811	0	7,143	29,247
Total nonspendable	35,833	2,811	0	176,166	214,810
Restricted:					
Street, Construction Maintenance & Repair	0	0	0	217,248	217,248
State Highway Improvement	0	0	0	125,428	125,428
Police Pension Transfer	0	0	0	41,762	41,762
Permissive Tax	0	0	0	2,231	2,231
Nardonia Hills Home Days	0	0	0	45,093	45,093
Motor Vehicle License	0	0	0	89,325	89,325
City Income Tax	0	0	0	6,093	6,093
Drug Law Enforcement	0	0	0	27,399	27,399
Law Enforcement Education	0	0	0	26,017	26,017
Special Assessment Bond Retirement	0	0	0	71,721	71,721
Mayors Court Computer	0	0	0	22,452	22,452
Federal Fire Grants	0	0	0	1,871	1,871
Law Enforcement Trust	0	0	0	14,682	14,682
Quiet Zone Maintenance Fund	0	0	0	17,422	17,422
ARRA Grants Fund	0	0	0	5,416	5,416
Federal Equitable Sharing	0	0	0	112,060	112,060
K-9 Police Donaton	0	0	0	1,266	1,266
Wireless E911	0	0	0	14,903	14,903
Capital Improvement	0	0	0	198,968	198,968
Route 8 and Highland Road	0	0	0	41	41
Shepard Road Sanitary Sewers	0	0	0	7,458	7,458
Longwood Park Improvements	0	0	0	5,912	5,912
Manor House Renovations	0	0	0	276	276
Total restricted	0	0	0	1,055,044	1,055,044
Committed:					
Community environment	0	0	0	120,169	120,169
Leisure time activities	0	1,553,883	0	79,739	1,633,622
Retirement reserve	500,000	0	0	0	500,000
Underground storage tank	11,000	0	0	0	11,000
Capital projects	0	0	0	36,043	36,043
Utility services	0	0	0	384,387	384,387
Total committed	511,000	1,553,883	0	620,338	2,685,221
Assigned:					
Future Encumbrances	113,898	0	0	0	113,898
Budgetary Resources	955,599	0	0	0	955,599
Total assigned	1,069,497	0	0	0	1,069,497
Unassigned (deficit)	2,047,560	0	(980,630)	(26,178)	1,040,752
Total fund balances	\$3,663,890	\$1,556,694	(\$980,630)	\$1,825,370	\$6,065,324

**City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2017**

Note 21 – Tax Abatements

As December 31, 2017 the city didn't have any tax abatements.

Note 22 – Implementation of New Accounting Principles

For the year ended December 31, 2017, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 80, *“Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14”*, GASB Statement No. 81 *“Irrevocable Split Interest Agreements”*, and GASB Statement No. 82, *“Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73”*.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *“Determining Whether Certain Organizations Are Component Units”*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 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 Four Fiscal Years (1) (2)

	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.026178%	0.023602%	0.023912%	0.023912%
City's Proportionate Share of the Net Pension Liability	\$5,944,579	\$4,088,065	\$2,806,984	\$2,743,583
City's Covered-Employee Payroll	\$3,383,100	\$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	175.71%	118.24%	95.70%	98.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	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.

See accompanying notes to the required supplementary information.

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 Four Fiscal Years (1) (2)

	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.1446290%	0.1352880%	0.0239120%	0.0239120%
City's Proportionate Share of the Net Pension Liability	\$9,160,656	\$8,703,172	\$6,980,575	\$6,562,714
City's Covered-Employee Payroll	\$3,463,626	\$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	264.48%	330.55%	248.23%	340.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	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.

See accompanying notes to the required supplementary information.

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

	2017	2016	2015	2014	2013
Contractually Required Contribution	\$444,059	\$405,972	\$414,900	\$351,983	\$362,391
			0	0	0
Contributions in Relation to the Contractually Required Contribution	<u>(444,059)</u>	<u>(405,972)</u>	<u>(414,900)</u>	<u>(351,983)</u>	<u>(362,391)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's Covered-Employee Payroll	\$3,415,838	\$3,383,100	\$3,457,500	\$2,933,192	\$2,787,623
Contributions as a Percentage of Covered-Employee Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

See accompanying notes to the required supplementary information.

2012	2011	2010	2009	2008
\$265,688 0	\$254,747 0	\$236,433 0	\$247,237 0	\$271,896 0
<u>(265,688)</u>	<u>(254,747)</u>	<u>(236,433)</u>	<u>(247,237)</u>	<u>(271,896)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,656,880	\$2,547,470	\$2,651,585	\$3,042,917	\$3,884,229
10.00%	10.00%	8.92%	8.12%	7.00%

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

	2017	2016	2015	2014	2013
Contractually Required Contribution	\$735,430	\$658,089	\$528,953 0	\$572,548 0	\$343,415
Contributions in Relation to the Contractually Required Contribution	<u>(735,430)</u>	<u>(658,089)</u>	<u>(528,953)</u>	<u>(572,548)</u>	<u>(343,415)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's Covered-Employee Payroll	\$3,870,684	\$3,463,626	\$2,632,917	\$2,812,122	\$2,010,626
Contributions as a Percentage of Covered-Employee Payroll	19.00%	19.00%	20.09%	20.36%	17.08%

See accompanying notes to the required supplementary information.

2012	2011	2010	2009	2008
\$330,137	\$320,986	\$333,061	\$326,544	\$352,617
(330,137)	(320,986)	(333,061)	(326,544)	(352,617)
\$0	\$0	\$0	\$0	\$0
\$2,265,868	\$2,268,452	\$2,389,247	\$2,337,466	\$2,472,770
14.57%	14.15%	13.94%	13.97%	14.26%

Note 1 – Pension Plans

Ohio Police and Fire Pension Fund Changes in Benefit Terms and Assumptions

There have been no plan amendments adopted or changes in assumptions since the latest actuarial valuation, as of January 1, 2016, with actuarial liability rolled forward to December 31, 2016. The assumed investment rate of return and the discount rate is 8.25 percent.

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions

There were no recent significant changes of benefit terms, investment policies, the size or composition of the population covered by the benefit terms impacting the actuarial valuation study for the year ended December 31, 2016.

In 2016, a five-year experience study was completed on the period January 1, 2011 through December 31, 2015. The Board adopted changes to both the demographic and economic assumptions as a result of the study. The most notable change in demographic assumptions is an increased life expectancy of the members and the most notable change in economic assumptions is the reduction in the actuarially assumed rate of return from 8.00% down to 7.50% for the defined benefit investments. The new assumptions are included in the 2016 actuarial valuation.

In 2016, OPERS, in conjunction with the Board's investment consultants, also completed an asset liability study. Periodically, the System engages in a more comprehensive study that examines the nature of the pension liabilities we will ultimately pay and the characteristics of the asset allocation projections and the associated level of risk. As a result of this study, OPERS modified the asset allocation slightly, but not substantively.

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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, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 31, 2018.

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
May 31, 2018



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
JUNE 28, 2018**