



Dave Yost • Auditor of State

**CITY OF BROADVIEW HEIGHTS
CUYAHOGA COUNTY
DECEMBER 31, 2017**

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CUYAHOGA COUNTY
DECEMBER 31, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Broadview Heights
Cuyahoga County
9543 Broadview Road
Broadview Heights, Ohio 44147

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Broadview Heights, Cuyahoga County, Ohio (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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Broadview Heights, Cuyahoga County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Fire Levy Funds thereof for the year then ended in accordance with the 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 this presentation to include *management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.



Dave Yost
Auditor of State
Columbus, Ohio

September 25, 2018

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

The discussion and analysis of the City of Broadview Heights'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 performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- In total, net position decreased \$1,822,450. Net position of governmental activities decreased \$1,611,749. Net position of business-type activities decreased \$210,701.
- Total capital assets increased \$262,415 in 2017. Capital assets of governmental activities increased \$563,438 and capital assets of business-type activities decreased \$301,023. Capital outlay exceeded depreciation in 2017.
- Outstanding long term debt decreased from \$20.6 million to \$19.1 million in 2017 due to debt service payments.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City of Broadview Heights as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2017 and how they affected the operations of the City as a whole.

Reporting the City of Broadview Heights as a Whole

Statement of Net Position and the Statement of Activities

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. 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 remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City of Broadview Heights, the General Fund is by far the most significant fund. Business-type funds consist of the Sanitary Sewer and Sewer Capital Funds.

A question typically asked about the City's finances is "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

CITY OF BROADVIEW HEIGHTS
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(Unaudited)

These two statements report the City's *net position* and *changes in net position*. This change in net position is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, and other factors.

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

- **Governmental Activities** – Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community and economic development, leisure time activities and transportation.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's Sanitary Sewer and Sewer Capital Fund are reported as business-type activities.

Reporting the City of Broadview Heights's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the General Fund, the Fire Levy Fund, the General Bond Retirement Fund, and the Park and Recreation Facilities Capital Improvement Fund.

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

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

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

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
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(Unaudited)

The City of Broadview Heights as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2017 compared to 2016:

Table 1 Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and other assets	\$ 33,720,559	\$ 35,389,838	\$ 1,213,168	\$ 996,592	\$ 34,933,727	\$ 36,386,430
Net Pension Asset	18,741	13,972	2,159	958	20,900	14,930
Capital assets, net	32,244,034	31,680,596	2,354,529	2,655,552	34,598,563	34,336,148
Total Assets	65,983,334	67,084,406	3,569,856	3,653,102	69,553,190	70,737,508
DEFERRED OUTFLOWS OF RESOURCES						
Pension	5,667,623	5,303,744	499,171	170,989	6,166,794	5,474,733
LIABILITIES						
Current and other liabilities	1,442,768	1,391,340	94,408	120,753	1,537,176	1,512,093
Long-term liabilities:						
Due within one year	2,121,442	2,254,375	37,891	38,660	2,159,333	2,293,035
Due in more than one year:						
Net Pension Liability	20,410,700	18,068,744	926,766	424,193	21,337,466	18,492,937
Other Amounts	18,826,284	20,172,084	107,813	126,429	18,934,097	20,298,513
Total Liabilities	42,801,194	41,886,543	1,166,878	710,035	43,968,072	42,596,578
DEFERRED INFLOWS OF RESOURCES						
Property Taxes	5,421,722	5,407,582	-	-	5,421,722	5,407,582
Pension	136,077	190,312	7,427	8,633	143,504	198,945
Total Deferred Inflows of Resources	5,557,799	5,597,894	7,427	8,633	5,565,226	5,606,527
NET POSITION						
Net Investment in						
Capital Assets	26,226,940	26,230,185	2,260,434	2,539,783	27,847,496 ^	27,917,978
Restricted	6,614,526	6,573,765	-	-	6,614,526	6,573,765
Unrestricted	(9,549,502)	(7,900,237)	634,288	565,640	(8,275,336) ^	(6,482,607)
Total Net Position	\$ 23,291,964	\$ 24,903,713	\$ 2,894,722	\$ 3,105,423	\$ 26,186,686	\$ 28,009,136

^ The totals for governmental and business-type activities represent their respective net investment in capital assets and the total of the City reflects all capital assets and debt which includes debt for business-type assets recorded in the governmental activities. See Note 14 for more information.

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The City has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

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

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

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

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

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As a result of implementing GASB 68, the City is reporting a net pension liability/asset and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

At year end, capital assets represented 50 percent of total assets. Capital assets include land, intangible, buildings, improvements, furniture and fixtures, machinery and equipment, vehicles, infrastructure and construction in progress. The net investment in capital assets was \$27.8 million at December 31, 2017, with \$26.2 million in governmental activities and \$2.3 million in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$6.6 million or 25 percent, represents resources that are subject to external restrictions on how they may be used.

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Table 2 shows the changes in net position for fiscal year 2017 and 2016.

Table 2 Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program Revenues:						
Charges for services	\$ 2,976,274	\$ 3,364,108	\$ 1,731,711	\$ 1,555,448	\$ 4,707,985	\$ 4,919,556
Operating grants and contributions	1,102,894	1,048,620	-	-	1,102,894	1,048,620
Capital grants and contributions	314,802	1,057,737	-	-	314,802	1,057,737
Total Program Revenues	4,393,970	5,470,465	1,731,711	1,555,448	6,125,681	7,025,913
General Revenues:						
Property taxes	5,527,053	5,540,587	-	-	5,527,053	5,540,587
Municipal income taxes	12,482,992	11,204,962	-	-	12,482,992	11,204,962
Grants and entitlements	667,286	977,481	-	-	667,286	977,481
Investment income	181,200	51,867	4,338	2,004	185,538	53,871
All other revenues	398,743	672,753	17,628	38,019	416,371	710,772
Total General Revenues	19,257,274	18,447,650	21,966	40,023	19,279,240	18,487,673
Total Revenues	23,651,244	23,918,115	1,753,677	1,595,471	25,404,921	25,513,586
EXPENSES						
Program Expenses:						
Security of persons and property	9,468,532	9,177,819	-	-	9,468,532	9,177,819
Public health services	340,782	349,363	-	-	340,782	349,363
Leisure time activities	1,690,893	1,446,388	-	-	1,690,893	1,446,388
Community environment	568,198	450,652	-	-	568,198	450,652
Basic utility services	985,500	951,356	-	-	985,500	951,356
Transportation	3,922,038	3,558,776	-	-	3,922,038	3,558,776
General government	7,647,383	6,914,454	-	-	7,647,383	6,914,454
Interest and fiscal charges	639,667	739,663	-	-	639,667	739,663
Sanitary Sewer	-	-	1,964,378	1,766,916	1,964,378	1,766,916
Total Expenses	25,262,993	23,588,471	1,964,378	1,766,916	27,227,371	25,355,387
Increase (Decrease) in Net Position	(1,611,749)	329,644	(210,701)	(171,445)	(1,822,450)	158,199
Net Position - Beginning of Year	24,903,713	24,574,069	3,105,423	3,276,868	28,009,136	27,850,937
Net Position - End of Year	\$ 23,291,964	\$ 24,903,713	\$ 2,894,722	\$ 3,105,423	\$ 26,186,686	\$ 28,009,136

Governmental Activities

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are property taxes, grants and entitlements, charges for services and investment interest.

The 2 percent income tax is the largest revenue source for the City. Income tax revenues are allocated based on City ordinance. The revenue and expense of collection of the income tax is allocated among the General Fund, the Safety Equipment Fund, the Service Equipment Fund, the Fire Equipment Fund, the Streets Capital Improvement Fund, and the Storm Sewer Maintenance Fund. Income taxes account for 53 percent of the total revenue of the governmental activities.

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Other general revenues, including property taxes, grants and entitlements, such as local government funds, and interest, account for 29 percent of governmental activities revenue. Program revenues, which include charges for services and operating and capital grants, account for the remaining 18 percent of total revenues. The City monitors its sources of revenues very closely for fluctuations.

Other revenue decreased by \$274,010, which is mostly attributed to 2016 other revenue including a \$525,000 settlement the City received from Cuyahoga County. In a prior year, the City had signed an agreement whereby the County was to build an Emergency Operations Center on the City campus. After several months of work, the County abandoned the project. The settlement amount was agreed upon by the City and County in order to restore City property back to its original condition.

Capital grants decreased by \$742,935 due to a decrease in special assessment receivables recorded in 2017. Municipal income tax increased \$1.3 million and property tax was consistent at \$5.5 million each year.

Expenses of governmental activities increased by a net \$1.7 million in 2017. The largest part of this is a \$732,929 increase in general government. The majority of this is due to an increase in pension expense recorded in accordance to GASB 68. Security of persons and property is the largest program function of the City, which includes the Police and Fire departments and represents approximately 37 percent of program expenses. The next largest expense was for general government, which represents approximately 30 percent of program expenses in 2017.

Business-Type Activities

The City's major enterprise fund is the Sanitary Sewer Fund. The revenues are generated primarily from charges for services. In 2017, charges for services of \$1.7 million accounted for nearly 100 percent of the business type revenues. The total expenses were \$2.0 million in 2017. The change in net position for the business-type activities was a decrease of \$210,701 in 2017.

Revenues increased \$158,206 in 2017. Expenses increased \$197,462 in 2017 due to increases in personal services and fringe benefits.

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 15. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues and other financing sources of \$24.5 million and expenditures and other financing uses of \$25.9 million. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The General Fund's net change in fund balance for fiscal year 2017 was an increase of \$402,848. Expenditures increased by \$457,821 primarily due to increases in personnel costs. Revenues increased \$343,191 primarily due to increases in income tax revenue. The remainder of the net change in fund balance was due to transfers in from other funds.

The fund balance of the Fire Levy Fund decreased by \$110,678. Revenues increased by \$76,843 due to increases in property taxes and charges for service. Expenditures increased by \$239,612 due to vehicle purchases.

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The fund balance of the General Bond Retirement Fund decreased by \$60,973. Revenues were fairly consistent at \$1.3 million with a slight decrease in property taxes, and expenditures were consistent at \$1.4 million.

The fund balance of the Park and Recreation Facilities Fund decreased by \$2.2 million. Revenues in 2017 consisted solely of interest revenue on unspent bond proceeds. Expenditures consist of construction costs for park and recreation facilities improvements.

The fund balance in the other governmental funds increased by \$532,806. Revenues of these funds decreased by \$791,938 mostly due to 2016 other revenue including a \$525,000 settlement the City received from Cuyahoga County. Expenditures decreased by \$164,780, due to reductions in various expenditures.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for the business-type activities, but in more detail.

Unrestricted net position of the Sanitary Sewer Fund at the end of the year amounted to \$601,110. The total decrease in net position for the Fund was \$211,927. Other factors concerning the finances of this Fund have already been addressed in the discussion of the business-type activities.

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. The most significant budgeted fund is the General Fund.

During the course of 2017, the City amended its General Fund budget. All recommendations for appropriation changes come to Council from the City Finance Director. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the General Fund, the original budget basis revenue was \$12.7 million, \$400,000 less than the final budget basis revenue of \$13.1 million. The reason for the difference was that both Income Tax and Property Tax revenue were greater than had been estimated.

Original appropriations of \$14.0 million were lower than final appropriations by \$242,567.

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Capital Assets and Debt Administration

Capital Assets

At the end of year 2017, the City had \$34.6 million invested in capital assets. A total of \$32.2 million of this was for governmental activities and \$2.4 million being attributable to business-type activities. Table 3 shows fiscal year 2017 balances compared with 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,784,549	\$ 4,775,874	\$ -	\$ -	\$ 4,784,549	\$ 4,775,874
Intangible	22,142	22,142	-	-	22,142	22,142
Construction in progress	4,000,964	3,469,612	-	-	4,000,964	3,469,612
Total Non-Depreciable	8,807,655	8,267,628	-	-	8,807,655	8,267,628
Buildings	3,442,528	3,566,445	209,887	238,308	3,652,415	3,804,753
Improvements	2,295,003	2,521,980	-	-	2,295,003	2,521,980
Machinery and equipment	1,233,913	1,390,923	239,643	254,206	1,473,556	1,645,129
Furniture and fixtures	520	1,040	-	-	520	1,040
Vehicles	1,778,926	1,715,923	9,821	11,964	1,788,747	1,727,887
Infrastructure:						
Traffic Signals	320,204	25,465	-	-	320,204	25,465
Roads	5,748,990	5,243,797	-	-	5,748,990	5,243,797
Waterlines	4,209,637	4,371,473	-	-	4,209,637	4,371,473
Street Signs & Guard Rails	32,206	-	-	-	32,206	-
Storm Sewers	4,374,452	4,575,922	-	-	4,374,452	4,575,922
Sanitary sewers	-	-	1,895,178	2,151,074	1,895,178	2,151,074
Total Depreciable,						
Net of Depreciation	23,436,379	23,412,968	2,354,529	2,655,552	25,790,908	26,068,520
Total Capital Assets,						
Net of Depreciation	\$ 32,244,034	\$ 31,680,596	\$ 2,354,529	\$ 2,655,552	\$ 34,598,563	\$ 34,336,148

The \$563,438 increase in capital assets of governmental activities was due to current year purchases exceeding depreciation, and the \$301,023 decrease in capital assets of the business-type activities was attributable to current year depreciation exceeding purchases. See Note 10 for additional information about the capital assets of the City.

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Debt

The outstanding long term debt for the City as of December 31, 2017 was \$19.1 million. See Note 14 for additional details. Table 4 summarizes outstanding debt.

Table 4 Outstanding Debt, at December 31

	Governmental Activities	
	2017	2016
General Obligation Bonds	\$ 16,007,175	\$ 17,059,352
Unamortized Bond Premium	27,801	40,710
Special Assessment Bonds	2,036,478	2,258,137
OPWC Loan	142,898	50,000
OWDA Loans	265,995	364,458
Capital Leases	577,002	859,691
Total Outstanding Debt	\$ 19,057,349	\$ 20,632,348

In conclusion, the implementation of GASB Statement No. 68 requires the reader to perform additional calculations to determine the City's Total Net Position at December 31, 2017 without the implementation of GASB Statement No. 68. This is an important exercise, as the State Pension Systems (OPERS & OP&F) collect, hold and distributes pensions to our employees, not the City of Broadview Heights. These calculations are as follows:

	Governmental Activities	Business-Type Activities	Total
Governmental Activities			
Total Net Position at December 31, 2017 (with GASB 68)	\$ 23,291,964	\$ 2,894,722	\$ 26,186,686
GASB 68 Calculations:			
Add: Deferred Inflows related to Pension	136,077	7,427	143,504
Net Pension Liability	20,410,700	926,766	21,337,466
Less: Deferred Outflows related to Pension	(5,667,623)	(499,171)	(6,166,794)
Net Pension Asset	(18,741)	(2,159)	(20,900)
Total Net Position at December 31, 2017 (without GASB 68)	\$ 38,152,377	\$ 3,327,585	\$ 41,479,962

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, David Pfaff, 9543 Broadview Road, Bldg 7, Broadview Heights, Ohio 44147, telephone 440-746-3109.

CITY OF BROADVIEW HEIGHTS

Cuyahoga County, Ohio

Statement of Net Position

December 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 20,840,998	\$ 378,117	\$ 21,219,115
Materials and Supplies Inventory	58,312	-	58,312
Accounts Receivable	1,007,549	584,372	1,591,921
Accrued Interest Receivable	6,250	578	6,828
Intergovernmental Receivable	850,485	-	850,485
Municipal Income Taxes Receivable	3,405,160	-	3,405,160
Property Taxes Receivable	5,668,603	-	5,668,603
Special Assessments Receivable	1,883,202	250,101	2,133,303
Net Pension Asset	18,741	2,159	20,900
Nondepreciable Capital Assets	8,807,655	-	8,807,655
Depreciable Capital Assets	23,436,379	2,354,529	25,790,908
Total Assets	<u>65,983,334</u>	<u>3,569,856</u>	<u>69,553,190</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	5,667,623	499,171	6,166,794
Total Deferred Outflows of Resources	<u>5,667,623</u>	<u>499,171</u>	<u>6,166,794</u>
LIABILITIES			
Accounts Payable	268,741	72,392	341,133
Contracts Payable	523,626	-	523,626
Accrued Wages and Benefits	383,088	14,263	397,351
Intergovernmental Payable	205,276	6,458	211,734
Accrued Interest Payable	62,037	1,295	63,332
Long-term Liabilities:			
Due Within One Year	2,121,442	37,891	2,159,333
Due In More Than One year:			
Net Pension Liability (See Note 11)	20,410,700	926,766	21,337,466
Other Amounts Due in More Than One Year	18,826,284	107,813	18,934,097
Total Liabilities	<u>42,801,194</u>	<u>1,166,878</u>	<u>43,968,072</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	5,421,722	-	5,421,722
Pension	136,077	7,427	143,504
Total Deferred Inflows of Resources	<u>5,557,799</u>	<u>7,427</u>	<u>5,565,226</u>
NET POSITION			
Net Investment in Capital Assets	26,226,940	2,260,434	27,847,496
Restricted for:			
Debt Service	1,868,961	-	1,868,961
Capital Projects	3,360,678	-	3,360,678
Police and Fire	470,949	-	470,949
Streets and Highways	484,175	-	484,175
Recreation Center	204,721	-	204,721
Service Equipment	149,773	-	149,773
Other Purposes	75,269	-	75,269
Unrestricted	(9,549,502)	634,288	(8,275,336)
Total Net Position	<u>\$ 23,291,964</u>	<u>\$ 2,894,722</u>	<u>\$ 26,186,686</u>

Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the net investment in capital assets for the governmental or business-type activities but has been reflected in the entity-wide total. See Note 14.

See accompanying notes to the basic financial statements.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County
Statement of Activities
For the Year Ended December 31, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government:						
Governmental activities:						
Security of Persons and Property	\$ 9,468,532	\$ 386,353	\$ 19,851	\$ -	\$ (9,062,328)	\$ (9,062,328)
Public Health Services	340,782	-	-	-	(340,782)	(340,782)
Leisure Time Activities	1,690,893	936,175	370	-	(754,348)	(754,348)
Community Environment	568,198	4,090	-	-	(564,108)	(564,108)
Basic Utility Services	985,500	-	-	-	(985,500)	(985,500)
Transportation	3,922,038	-	1,051,734	291,039	(2,579,265)	(2,579,265)
General Government	7,647,383	1,649,656	30,939	-	(5,966,788)	(5,966,788)
Interest and Fiscal Charges	639,667	-	-	23,763	(615,904)	(615,904)
Total Governmental activities	25,262,993	2,976,274	1,102,894	314,802	(20,869,023)	(20,869,023)
Business-type activities:						
Sanitary Sewer	1,964,378	1,731,711	-	-	-	(232,667)
Total Business-type activities	1,964,378	1,731,711	-	-	-	(232,667)
Total Primary Government	\$ 27,227,371	\$ 4,707,985	\$ 1,102,894	\$ 314,802	(20,869,023)	(21,101,690)
General Revenues:						
Property Taxes levied for:						
General Purposes					1,609,277	1,609,277
Debt Service					899,531	899,531
Police and Fire					3,018,245	3,018,245
Municipal Income Taxes levied for:						
General Purposes					9,896,445	9,896,445
Capital Outlay					2,436,838	2,436,838
Other Purposes					149,709	149,709
Grants & Entitlements not restricted to specific programs					667,286	667,286
Investment Income					181,200	185,538
All Other Revenues					398,743	416,371
Total General Revenues					19,257,274	19,279,240
Change in Net Position					(1,611,749)	(1,822,450)
Net Position - Beginning of Year					24,903,713	28,009,136
Net Position - End of Year					\$ 23,291,964	\$ 26,186,686

See accompanying notes to the basic financial statements.

CITY OF BROADVIEW HEIGHTS

Cuyahoga County, Ohio

Balance Sheet

Governmental Funds

December 31, 2017

	<u>General Fund</u>	<u>Fire Levy</u>	<u>General Bond Retirement</u>	<u>Park and Recreational Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 4,072,497	\$ 390,113	\$ 612,598	\$ 12,529,043	\$ 3,236,747	\$ 20,840,998
Materials and Supplies Inventory	58,312	-	-	-	-	58,312
Accrued Interest Receivable	2,744	760	-	-	2,746	6,250
Accounts Receivable	446,088	59,774	-	-	501,687	1,007,549
Interfund Receivable	-	-	-	-	112,000	112,000
Intergovernmental Receivable	194,224	163,088	8,196	-	484,977	850,485
Municipal Income Taxes Receivable	2,813,357	-	-	-	591,803	3,405,160
Property Taxes Receivable	1,665,183	2,486,478	890,627	-	626,315	5,668,603
Special Assessments Receivable	8,252	-	1,874,950	-	-	1,883,202
Total Assets	<u>\$ 9,260,657</u>	<u>\$ 3,100,213</u>	<u>\$ 3,386,371</u>	<u>\$ 12,529,043</u>	<u>\$ 5,556,275</u>	<u>\$ 33,832,559</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 178,900	\$ 2,495	\$ -	\$ -	\$ 87,346	\$ 268,741
Accrued Wages and Benefits	242,427	82,328	-	-	58,333	383,088
Contracts Payable	-	-	-	342,937	180,689	523,626
Intergovernmental Payable	141,339	55,897	-	-	8,040	205,276
Interfund Payable	-	-	-	-	112,000	112,000
Total Liabilities	<u>562,666</u>	<u>140,720</u>	<u>-</u>	<u>342,937</u>	<u>446,408</u>	<u>1,492,731</u>
Deferred Inflows of Resources:						
Property Taxes	1,578,597	2,356,553	890,627	-	595,945	5,421,722
Unavailable Revenue - Delinquent Property Taxes	86,586	129,925	-	-	30,370	246,881
Unavailable Revenue - Income Taxes	1,229,136	-	-	-	255,757	1,484,893
Unavailable Revenue - Special Assessments	8,252	-	1,874,950	-	-	1,883,202
Unavailable Revenue - Other	160,012	182,080	8,196	-	698,983	1,049,271
Total Deferred Inflows of Resources	<u>3,062,583</u>	<u>2,668,558</u>	<u>2,773,773</u>	<u>-</u>	<u>1,581,055</u>	<u>10,085,969</u>
Fund Balances:						
Nonspendable	59,107	-	-	-	-	59,107
Restricted	-	290,935	612,598	12,186,106	460,587	13,550,226
Committed	-	-	-	-	3,178,778	3,178,778
Assigned	1,176,366	-	-	-	-	1,176,366
Unassigned (Deficits)	4,399,935	-	-	-	(110,553)	4,289,382
Total Fund Balances	<u>5,635,408</u>	<u>290,935</u>	<u>612,598</u>	<u>12,186,106</u>	<u>3,528,812</u>	<u>22,253,859</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,260,657</u>	<u>\$ 3,100,213</u>	<u>\$ 3,386,371</u>	<u>\$ 12,529,043</u>	<u>\$ 5,556,275</u>	<u>\$ 33,832,559</u>

See accompanying notes to the basic financial statements.

CITY OF BROADVIEW HEIGHTS

Cuyahoga County, Ohio

*Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities
December 31, 2017*

Total Governmental Funds Balance \$ 22,253,859

*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 32,244,034

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

Delinquent property taxes	246,881	
Municipal income taxes	1,484,893	
Special assessments	1,883,202	
Intergovernmental	663,576	
Charges for services	385,695	
Total		4,664,247

In the Statement of Activities, interest is accrued on outstanding
bonds, whereas in Governmental funds, an interest expenditure
is reported when due. (62,037)

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

Deferred Outflows - Pension	5,667,623	
Deferred Inflows - Pension	(136,077)	
Net Pension Liability/Asset	(20,391,959)	
Total		(14,860,413)

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

General obligation bonds	(16,007,175)	
Special assessment bonds	(2,036,478)	
Unamortized bond premiums	(27,801)	
Loans Payable	(408,893)	
Capital leases	(577,002)	
Compensated absences	(1,890,377)	
Total		(20,947,726)

Net Position of Governmental Activities \$ 23,291,964

See accompanying notes to the basic financial statements.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2017

	General Fund	Fire Levy	General Bond Retirement	Park and Recreational Facilities	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 1,590,858	\$ 2,382,878	\$ 899,531	\$ -	\$ 601,451	\$ 5,474,718
Municipal Income Taxes	9,827,105	-	-	-	2,661,734	12,488,839
Intergovernmental	431,134	326,175	17,364	-	1,301,378	2,076,051
Interest	10,270	10,004	-	141,798	26,891	188,963
Fees, Licenses, and Permits	278,765	-	-	-	70,177	348,942
Fines and Forfeitures	413,864	-	-	-	35,223	449,087
Rentals	86,938	-	-	-	18,400	105,338
Charges for Services	620,825	385,690	-	-	1,075,216	2,081,731
Contributions and Donations	14,045	-	-	-	370	14,415
Special Assessments	29,997	-	337,272	-	-	367,269
All Other Revenues	175,267	-	-	-	90,716	265,983
Total Revenues	13,479,068	3,104,747	1,254,167	141,798	5,881,556	23,861,336
EXPENDITURES						
Security of Persons and Property	4,911,461	3,034,547	-	-	248,256	8,194,264
Public Health Services	340,782	-	-	-	-	340,782
Leisure Time Activities	354,445	-	-	-	951,669	1,306,114
Community Environment	495,720	-	-	-	5,186	500,906
Basic Utility Services	985,500	-	-	-	-	985,500
Transportation	545,276	-	-	-	1,043,417	1,588,693
General Government	4,896,862	-	5,833	-	311,630	5,214,325
Capital Outlay	335,304	180,878	-	2,317,511	2,082,148	4,915,841
Debt Service:	-	-	-	-	-	-
Principal Retirement	596,638	-	791,293	-	293,329	1,681,260
Interest and Fiscal Charges	52,232	-	594,634	-	17,665	664,531
Total Expenditures	13,514,220	3,215,425	1,391,760	2,317,511	4,953,300	25,392,216
Excess of Revenues (Under) Expenditures	(35,152)	(110,678)	(137,593)	(2,175,713)	928,256	(1,530,880)
OTHER FINANCING SOURCES (USES)						
OPWC Loans Issued	-	-	-	-	119,170	119,170
Transfers In	438,000	-	76,620	-	-	514,620
Transfers Out	-	-	-	-	(514,620)	(514,620)
Total Other Financing Sources (Uses)	438,000	-	76,620	-	(395,450)	119,170
Net Change in Fund Balances	402,848	(110,678)	(60,973)	(2,175,713)	532,806	(1,411,710)
Fund Balances - Beginning of Year	5,232,560	401,613	673,571	14,361,819	2,996,006	23,665,569
Fund Balances - End of Year	\$ 5,635,408	\$ 290,935	\$ 612,598	\$ 12,186,106	\$ 3,528,812	\$ 22,253,859

See accompanying notes to the basic financial statements.

CITY OF BROADVIEW HEIGHTS

Cuyahoga County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2017*

Net Change in Fund Balances-Total Governmental Funds \$ (1,411,710)

*Amounts reported for Governmental Activities in the Statement of Activities
are different because:*

Governmental funds report capital outlays 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 by which capital outlay exceeded depreciation in the current period.

Capital Outlay	\$ 3,086,960	
Depreciation	<u>(2,523,522)</u>	
Total		563,438

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

Delinquent property taxes	52,335	
Municipal income taxes	(5,847)	
Special assessments	(318,052)	
Intergovernmental	(54,701)	
Charges for services	<u>(8,827)</u>	
Total		(335,092)

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of an OPWC loan. (119,170)

Repayment of various debt principal are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,681,260

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows 1,451,294

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (3,370,367)

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	(96,266)	
Accrued interest on bonds	11,955	
Amortization of bond premiums	<u>12,909</u>	
Total		<u>(71,402)</u>

Change in Net Position of Governmental Activities \$ (1,611,749)

See accompanying notes to the basic financial statements.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 1,535,437	\$ 1,583,668	\$ 1,590,858	\$ 7,190
Municipal Income Taxes	9,073,016	9,358,018	9,400,504	42,486
Intergovernmental	417,720	430,841	432,797	1,956
Interest	32,554	33,577	33,729	152
Fees, Licenses and Permits	269,054	277,505	278,765	1,260
Fines and Forfeitures	400,252	412,825	414,699	1,874
Rentals	83,909	86,545	86,938	393
Charges for Services	601,089	619,970	622,785	2,815
Contributions and Donations	13,556	13,982	14,045	63
Special Assessments	28,952	29,861	29,997	136
All Other Revenues	278,476	287,223	288,527	1,304
Total Revenues	<u>12,734,015</u>	<u>13,134,015</u>	<u>13,193,644</u>	<u>59,629</u>
Expenditures:				
Current:				
Security of Persons and Property	5,227,062	5,190,537	5,061,818	128,719
Public Health Services	342,038	359,038	345,294	13,744
Leisure Time Activities	530,790	524,065	518,128	5,937
Community Environment	490,800	512,900	490,185	22,715
Basic Utility Services	1,012,329	1,020,329	1,020,329	-
Transportation	558,336	531,836	495,018	36,818
General Government	5,240,836	5,506,053	5,233,071	272,982
Debt Service				
Principal Retirement	581,007	581,007	581,006	1
Interest and Fiscal Charges	51,575	51,575	51,575	-
Total Expenditures	<u>14,034,773</u>	<u>14,277,340</u>	<u>13,796,424</u>	<u>480,916</u>
Excess of Revenues Over (Under) Expenditures	(1,300,758)	(1,143,325)	(602,780)	540,545
Other Financing Sources				
Transfers In	438,000	438,000	438,000	-
Total Other Financing Sources	<u>438,000</u>	<u>438,000</u>	<u>438,000</u>	<u>-</u>
Net Change in Fund Balance	(862,758)	(705,325)	(164,780)	540,545
Fund Balance Beginning of Year	3,851,971	3,851,971	3,851,971	-
Prior Year Encumbrances	172,796	172,796	172,796	-
Fund Balance End of Year	<u>\$ 3,162,009</u>	<u>\$ 3,319,442</u>	<u>\$ 3,859,987</u>	<u>\$ 540,545</u>

See accompanying notes to the basic financial statements.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Statement of Revenues, Expenditures, and Changes
in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual
Fire Levy Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 2,297,267	\$ 2,297,267	\$ 2,382,878	\$ 85,611
Intergovernmental	314,456	314,456	326,175	11,719
Interest	11,172	11,172	11,588	416
Charges for Services	385,588	385,588	399,958	14,370
All Other Revenues	44,849	44,849	46,520	1,671
Total Revenues	3,053,332	3,053,332	3,167,119	113,787
Expenditures:				
Current:				
Security of Persons and Property	3,566,718	3,553,618	3,334,057	219,561
Total Expenditures	3,566,718	3,553,618	3,334,057	219,561
Net Change in Fund Balance	(513,386)	(500,286)	(166,938)	333,348
Fund Balance Beginning of Year	508,421	508,421	508,421	-
Prior Year Encumbrances	8,058	8,058	8,058	-
Fund Balance End of Year	\$ 3,093	\$ 16,193	\$ 349,541	\$ 333,348

See accompanying notes to the basic financial statements.

CITY OF BROADVIEW HEIGHTS

Cuyahoga County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2017

	Business-Type Activities		
	Sanitary Sewer Fund	Other Enterprise Fund	Total
ASSETS			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 344,939	\$ 33,178	\$ 378,117
Accrued Interest Receivable	578	-	578
Accounts Receivable	584,372	-	584,372
Special Assessments Receivable	250,101	-	250,101
<i>Total Current Assets</i>	<u>1,179,990</u>	<u>33,178</u>	<u>1,213,168</u>
Noncurrent Assets:			
Net Pension Asset	2,159	-	2,159
Capital Assets:			
Depreciable Assets, Net of Depreciation	2,354,529	-	2,354,529
<i>Total Noncurrent Assets</i>	<u>2,356,688</u>	<u>-</u>	<u>2,356,688</u>
Total Assets	<u>3,536,678</u>	<u>33,178</u>	<u>3,569,856</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	499,171	-	499,171
Total Deferred Outflows of Resources	<u>499,171</u>	<u>-</u>	<u>499,171</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	72,392	-	72,392
Accrued Wages and Benefits	14,263	-	14,263
Intergovernmental Payable	6,458	-	6,458
Accrued Interest Payable	1,295	-	1,295
Compensated Absences Payable	15,501	-	15,501
Capital Leases Payable	22,390	-	22,390
<i>Total Current Liabilities</i>	<u>132,299</u>	<u>-</u>	<u>132,299</u>
Noncurrent Liabilities:			
Compensated Absences Payable	36,108	-	36,108
Capital Leases Payable	71,705	-	71,705
Net Pension Liability	926,766	-	926,766
<i>Total Noncurrent Liabilities</i>	<u>1,034,579</u>	<u>-</u>	<u>1,034,579</u>
Total Liabilities	<u>1,166,878</u>	<u>-</u>	<u>1,166,878</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	7,427	-	7,427
Total Deferred Inflows of Resources	<u>7,427</u>	<u>-</u>	<u>7,427</u>
NET POSITION			
Investment in Capital Assets	2,260,434	-	2,260,434
Unrestricted	601,110	33,178	634,288
Total Net Position	<u>\$ 2,861,544</u>	<u>\$ 33,178</u>	<u>\$ 2,894,722</u>

See accompanying notes to the basic financial statements.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities		
	Sanitary Sewer Fund	Other Enterprise Fund	Total
OPERATING REVENUES			
Charges for Services	\$ 1,731,711	\$ -	\$ 1,731,711
Miscellaneous	16,402	1,226	17,628
Total Operating Revenues	<u>1,748,113</u>	<u>1,226</u>	<u>1,749,339</u>
OPERATING EXPENSES			
Personal Services	388,866	-	388,866
Fringe Benefits	404,067	-	404,067
Materials and Supplies	36,828	-	36,828
Contractual Services	777,332	-	777,332
Depreciation	326,759	-	326,759
Other	27,000	-	27,000
Total Operating Expense	<u>1,960,852</u>	<u>-</u>	<u>1,960,852</u>
Operating Income (Loss)	<u>(212,739)</u>	<u>1,226</u>	<u>(211,513)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest	4,338	-	4,338
Interest and Fiscal Charges	(3,526)	-	(3,526)
Total Nonoperating Revenues (Expenses)	<u>812</u>	<u>-</u>	<u>812</u>
Change in Net Position	(211,927)	1,226	(210,701)
Net Position - Beginning of Year	3,073,471	31,952	3,105,423
Net Position - End of Year	<u>\$ 2,861,544</u>	<u>\$ 33,178</u>	<u>\$ 2,894,722</u>

See accompanying notes to the basic financial statements.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities		
	Sanitary Sewer Fund	Other Enterprise Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Charges for Services	\$ 1,711,925	\$ -	\$ 1,711,925
Cash Received from Other Operating Receipts	16,402	-	16,402
Cash Received from Tap In Fees	-	1,226	1,226
Cash Payments to Employees for Services	(393,185)	-	(393,185)
Cash Payments for Employee Benefits	(232,083)	-	(232,083)
Cash Payments for Goods and Services	(831,302)	-	(831,302)
Other Cash Payments	(29,297)	-	(29,297)
Net Cash Provided by Operating Activities	<u>242,460</u>	<u>1,226</u>	<u>243,686</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid on Debt	(21,674)	-	(21,674)
Interest Paid on Debt	(3,824)	-	(3,824)
Payments for Capital Acquisitions	(25,736)	-	(25,736)
Net Cash Used in Capital and Related Financing Activities	<u>(51,234)</u>	<u>-</u>	<u>(51,234)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	4,787	-	4,787
Net Cash Provided by Investing Activities	<u>4,787</u>	<u>-</u>	<u>4,787</u>
Net Increase in Cash and Cash Equivalents	196,013	1,226	197,239
Cash and Cash Equivalents - Beginning of Year	148,926	31,952	180,878
Cash and Cash Equivalents - End of Year	<u>\$ 344,939</u>	<u>\$ 33,178</u>	<u>\$ 378,117</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (212,739)	\$ 1,226	\$ (211,513)
Adjustments:			
Depreciation	326,759	-	326,759
(Increase) Decrease in Assets and Deferred Outflows of Resources:			
Accounts Receivable	(51,560)	-	(51,560)
Special Assessments Receivable	31,774	-	31,774
Net Pension Asset	(1,201)	-	(1,201)
Deferred Outflows of Resources - Pension	(328,182)	-	(328,182)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:			
Accounts Payable	(19,439)	-	(19,439)
Accrued Wages and Benefits	(2,685)	-	(2,685)
Intergovernmental Payable	(3,923)	-	(3,923)
Compensated Absences Payable	2,289	-	2,289
Net Pension Liability	502,573	-	502,573
Deferred Inflows of Resources - Pension	(1,206)	-	(1,206)
Net Cash Provided by Operating Activities	<u>\$ 242,460</u>	<u>\$ 1,226</u>	<u>\$ 243,686</u>

See accompanying notes to the basic financial statements.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Statement of Fiduciary Assets and Liabilities
December 31, 2017

	Agency Funds
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 888,803
Cash and Cash Equivalents:	
in Segregated Accounts	28,145
Total Assets	<u>\$ 916,948</u>
Liabilities	
Undistributed Monies	\$ 916,948
Total Liabilities	<u>\$ 916,948</u>

See accompanying notes to the basic financial statements.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 1: DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Broadview Heights (the City) is a municipal corporation incorporated under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a Mayor-Council form of government, was adopted November 7, 1961. The Mayor and Council are elected. The City provides police and fire protection, emergency medical, parks and recreation, planning, zoning, street maintenance and repair, refuse collection and general administrative services to the citizens of the City.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. A primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government of the City includes City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation, water, sewer and sanitation. Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The most 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.

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. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements (Continued)

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore are 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 business segment or 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 and proprietary 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. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

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

General Fund – The General Fund accounts 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 general laws of Ohio and Charter of the City of Broadview Heights.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Fire Levy Fund – The Fire Levy Fund accounts for the operating expenses of a full time Fire Department, and is restricted exclusively for that purpose. The revenue is primarily from property taxes through charter millage.

General Bond Retirement Fund – The General Bond Retirement Fund is used to account for the accumulation of resources for the payment of interest and principal on long term general obligation debt.

Park and Recreation Facilities Capital Improvement Fund – The Park and Recreation Facilities Capital Improvement Fund accounts for capital expenses associated with the improvement of existing and construction of additional park and recreation facilities in the City.

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

Proprietary Funds

Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City does not have any internal service funds.

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

Sanitary Sewer Fund – The Sanitary Sewer Fund is an enterprise fund used to account for operations of the sanitary sewer system on a continuing basis and is financed through user charges.

The other enterprise fund is used to account for Sanitary Sewer capital improvements.

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. The City’s Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The City’s Agency Fund accounts for deposits and retainers held for contractors and developers, along with deposits held for the City’s Mayor’s Court.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 deferred outflows of resources 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.

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

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Revenues - Exchange and Non-exchange Transactions (Continued)

Non-exchange 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 (See Note 9). 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), fines and forfeitures, interest, grants, fees and rentals.

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, 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 are reported on the government-wide statement of net position for pension (See Note 11).

In addition to liabilities, the statements of financial position 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, and pension. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance year 2018 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, special assessments, intergovernmental, and charges for services. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 11).

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Data

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

Budgetary modifications may only be made by ordinance of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Director of Finance. 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 final amended certificate of estimated resources issued during 2017.

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

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not re-appropriated.

Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds, except funds requiring that interest proceeds follow the invested principal, are maintained in this pool. Individual fund integrity is maintained through the City's records.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments (Continued)

The City has segregated a portion of cash balances, reported as "Cash and Cash Equivalents in segregated accounts" which are used for the payment of Agency Fund activities.

During 2017, investments were limited to STAR Ohio, Federal Home Loan Mortgage Corp Notes, Federal National Mortgage Association Notes, Federal Home Loan Banks Notes, and Negotiable CDs.

The City's investment in State Treasury Asset Reserve of Ohio (STAR 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 and is recognized as an external investment pool by the City. The city measures their investment in STAR Ohio as the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2017, there were no limitation 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. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2017 amounted to \$10,270 which includes \$26,655 assigned to other City funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the City are presented on the financial statements as "cash". Investments with an original maturity of more than three months are reported as "Equity in Pooled Cash and Cash Equivalents".

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

CITY OF BROADVIEW HEIGHTS

Cuyahoga County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$7,500.

The City’s infrastructure consists of street signs and guardrails, storm and sanitary sewers, roads, traffic signals and water lines. 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, intangible 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 Engineer’s interpretation of historical records of necessary improvements and replacement. All reported capital assets except land, intangible assets, and construction in progress are required to be depreciated using a depreciation method (specifically the straight line method) over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings	10 to 50 years	10 to 50 years
Improvements	10 to 50 years	N/A
Furniture and Fixtures	10 to 20 years	N/A
Machinery and Equipment	10 to 15 years	10 to 15 years
Vehicles	6 to 15 years	6 to 15 years
Infrastructure	10 to 50 years	10 to 50 years

Interfund Balances

On fund financial statements, long-term interfund loans are classified as “advances to/from other funds” on the balance sheet and are equally offset by nonspendable fund balance, which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and 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 long-term loans are recognized as a liability on the fund financial statements when due.

Pensions

For purposes of measuring the net pension liability/(asset), 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.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution) 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 or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the City Council. The City Council, by resolution, authorized the Finance Director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position 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. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide statement of net position reports \$6,614,526 of the restricted component of net position, none of which is restricted by enabling legislation. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for sewer services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenue and expenses not meeting these definitions are classified as nonoperating.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in business-type activities. Interfund transfers are eliminated when reported in the entity wide financial statements for both the governmental and business-type activities. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund, and as a reduction of expenditures/expenses in the fund that is reimbursed.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2017.

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.

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES

During the year, the City implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the City.

GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The object of this statement is to improve 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.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement 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 City's beginning net position.

NOTE 4: ACCOUNTABILITY

Accountability

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

	<u>Fund Deficit</u>
Nonmajor Governmental Funds:	
Circle Building Fund	\$ 110,553

The deficit in the Circle Building Fund resulted from adjustments for accrued liabilities. The General Fund is liable for any deficits in these funds and will provide transfers when cash is required, not when accruals occur.

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CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2017
 (Continued)

NOTE 5: FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

Fund Balances	General	Fire Levy	General Bond Retirement	Park and Recreation Facilities Capital Improvement	Other Governmental Funds	Total
<i>Nonspendable</i>						
Unclaimed Monies	\$ 795	\$ -	\$ -	\$ -	\$ -	\$ 795
Inventory	58,312	-	-	-	-	58,312
<i>Total Nonspendable</i>	<u>59,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,107</u>
<i>Restricted for</i>						
Fire Services	-	290,935	-	-	-	290,935
Bond Retirement	-	-	612,598	-	-	612,598
Park and Recreation Facilities Improvement	-	-	-	12,186,106	-	12,186,106
Court Operations and Capital Outlay	-	-	-	-	54,510	54,510
Road Repair and Improvement	-	-	-	-	241,824	241,824
Law Enforcement	-	-	-	-	163,778	163,778
Other Purposes	-	-	-	-	475	475
<i>Total Restricted</i>	<u>-</u>	<u>290,935</u>	<u>612,598</u>	<u>12,186,106</u>	<u>460,587</u>	<u>13,550,226</u>
<i>Committed to</i>						
Fire and Safety Equipment	-	-	-	-	395,881	395,881
Street Improvement	-	-	-	-	1,321,829	1,321,829
Storm Sewer Improvement	-	-	-	-	675,991	675,991
Recreation	-	-	-	-	247,181	247,181
City Facility Improvement	-	-	-	-	333,604	333,604
Service Department Equipment	-	-	-	-	140,480	140,480
Tree Planting and Maintenance	-	-	-	-	63,212	63,212
Other Purposes	-	-	-	-	600	600
<i>Total Committed</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,178,778</u>	<u>3,178,778</u>
<i>Assigned to</i>						
Fiscal Year 2018 Appropriations	1,086,537	-	-	-	-	1,086,537
Purchases on Order	89,829	-	-	-	-	89,829
<i>Total Assigned</i>	<u>1,176,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,176,366</u>
<i>Unassigned (Deficit)</i>	4,399,935	-	-	-	(110,553)	4,289,382
Total Fund Balances	<u>\$ 5,635,408</u>	<u>\$ 290,935</u>	<u>\$ 612,598</u>	<u>\$ 12,186,106</u>	<u>\$ 3,528,812</u>	<u>\$ 22,253,859</u>

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 6: DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the City treasury. Active 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 5-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds with the City Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 agreements 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, and local governments and municipalities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus program);

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

7. Certain banker's acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Effective September 27, 1996, investments in stripped principal or interest obligations are no longer allowed to be purchased. Reverse repurchase agreements and derivatives are also prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the City's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or protected by:

1. Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. The City's financial institution had enrolled in OPCS as of December 31, 2017.

Deposits: The carrying value of the City's deposits totaled \$4,969,253 and the bank balances of the deposits totaled \$5,135,900. Of the bank balance, \$2,689,972 was covered by depository insurance and \$2,445,928 was uninsured and collateralized. Although 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.

Cash on Hand: At year end, the City had \$826 in undeposited cash on hand which is included on the statement of net position and balance sheet of the City as part of equity in pooled cash and cash equivalents.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

Investments

STAR Ohio is measured at net asset value per share while all other investments are measured at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The following table identifies the City's recurring fair value measurement as of December 31, 2017. As previously discussed, Star Ohio is reported at net asset value. All other investments of the City are valued using Level 1 and Level 2 inputs.

As of December 31, 2017, the City had the following investments:

Rating by Standard & Poor's	Investment	Fair Value	Investment Maturities (in years)		Percentage of Total Investments
			<1	1-3	
N/A	Negotiable CD	\$ 1,984,963	\$ 746,848	\$ 1,238,115	11.56%
AA+	FHLMC	2,301,955	2,301,955	-	13.41%
AA+	FNMA	3,865,789	3,865,789	-	22.52%
AA+	FHLB	1,868,546	1,868,546	-	10.89%
AAm	Fidelity Gov't Money Market Fund	3,067,793	3,067,793	-	17.87%
AAm	STAR Ohio	4,076,938	4,076,938	-	23.75%
		<u>\$ 17,165,984</u>	<u>\$ 15,927,869</u>	<u>\$ 1,238,115</u>	<u>100.00%</u>

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The City's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the City.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service.

Credit Risk: The City's investments credit ratings are summarized above. The City's investments in negotiable certificates of deposit were fully insured by federal depository insurance.

Concentration of Credit Risk: The City places no limit on the amount the City may invest in any one issuer. The investment percentages are listed above.

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2017
 (Continued)

NOTE 7: BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances - budget (non-GAAP basis) and actual presented for the General Fund and major Special Revenue funds 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 GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. The Unclaimed Funds Fund is included in the General Fund (GAAP basis), but has a separate legally adopted budget (budget basis).
4. Encumbrances are treated as expenditures (budget) rather than as a component of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and the Fire Levy Fund.

Net Change in Fund Balance		
	General	Fire Levy
GAAP Basis	\$ 402,848	\$ (110,678)
Revenue Accruals	(384,732)	15,852
Expenditure Accruals	54,867	(31,540)
Excess of revenues and other financing sources and over (under) expenditures and other financing uses:		
Unclaimed Funds	(481)	-
Encumbrances (Budget Basis) outstanding at year end	(237,282)	(40,572)
Budget Basis	\$ (164,780)	\$ (166,938)

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2017
 (Continued)

NOTE 8: TRANSFERS AND INTERFUND BALANCES

Interfund Transfers

Transfers are used to move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

Interfund transfers for the year ended December 31, 2017, consisted of the following:

	Transfers In	Transfers Out
<i>Governmental Activities:</i>		
General	\$ 438,000	\$ -
General Bond Retirement	76,620	-
Nonmajor Governmental Funds	-	514,620
Total Governmental Activities	\$ 514,620	\$ 514,620

The transfers from other governmental funds to the General Bond Retirement Fund were to pay for the debt issues for storm sewer, Broadview Center renovations, and various street improvement projects. The transfer from the other governmental funds to the General Fund was for police salaries paid out of the General Fund.

Interfund Balances

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

As of December 31, 2017, interfund receivable and payable to and from other funds balance is made up of a loan made to the Circle Building Fund for \$112,000 that the Safety Equipment Fund expects to collect in the subsequent year. Interfund payables and receivables were eliminated on the Statement of Net Position since they were within governmental activities.

NOTE 9: RECEIVABLES

Receivables at December 31, 2017, consisted of taxes, special assessments, loans, accounts (billings for user charged services), and intergovernmental receivables. All of these receivables are considered fully collectible.

No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2017
 (Continued)

NOTE 9: RECEIVABLES (Continued)

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of the 2016 taxes. Property tax payments received during 2017 for tangible personal property, except public utility property, are for prior year unpaid tangible personal property taxes.

Real property taxes (other than public utility property) are levied after October 1 on the assessed value as of prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised market value, and reappraisal of all property is required every six years with a triennial update. The last reappraisal was completed for tax year 2015 affecting collections beginning 2016.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due mid January with the remainder payable by mid July. Taxes not paid become delinquent after December 31 of the year in which payable. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. Public utility real and tangible personal property taxes collected during the calendar year were levied in the preceding calendar year based on assessed values as of January 1 of that preceding year, the lien date.

The full tax rate for all City operations for the year ended December 31, 2017, was \$11.82 per \$1,000 of assessed valuation.

The assessed values of real property upon which 2017 property tax receipts were based as follows:

Property Category	Assessed Value	Percent
Real Property	\$642,075,750	98.41 %
Public Utilities - Personal	10,367,710	1.59
Total	\$652,443,460	100.00 %

The County Fiscal Officer collects property taxes on behalf of all taxing districts within the County, including the City of Broadview Heights. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which became measurable as of December 31, 2017, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2017 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
 (Continued)

NOTE 9: RECEIVABLES (Continued)

Income Taxes

The City levies a municipal income tax of 2 percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as income of residents earned outside of the City. In the latter case, the City allows a credit of 75 percent of the tax paid to another municipality to a maximum of the total amount assessed. The Regional Income Tax Agency (RITA) is the City's agent for administering income tax collecting and accounting.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds, after income tax department expenditures for 2017, are credited to the following funds: 77.8 percent to the General Fund and 22.2 percent to other governmental funds.

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

Revenue Description	Amount
Local Government	\$ 88,521
Homestead and Rollback	291,492
Gasoline and Auto Registration tax	441,672
Permissive tax	11,767
Grants	15,959
Miscellaneous	1,074
Total	\$ 850,485

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CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 10: CAPITAL ASSETS

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

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Governmental Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 4,775,874	\$ 8,675	\$ -	\$ 4,784,549
Intangible	22,142	-	-	22,142
Construction in Progress	3,469,612	2,650,243	(2,118,891)	4,000,964
<i>Total Capital Assets Not Being Depreciated</i>	<u>8,267,628</u>	<u>2,658,918</u>	<u>(2,118,891)</u>	<u>8,807,655</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	6,046,516	-	-	6,046,516
Improvements	4,747,313	-	-	4,747,313
Furniture and Fixtures	34,642	-	-	34,642
Machinery and Equipment	3,823,128	100,349	-	3,923,477
Vehicles	4,193,874	389,677	(117,993)	4,465,558
Infrastructure:				
Traffic Signals	443,207	330,635	-	773,842
Roads	24,155,790	1,478,915	-	25,634,705
Waterlines	10,715,637	4,960	-	10,720,597
Street Signs & Guard Rails	26,710	35,784	-	62,494
Storm Sewers	13,635,210	206,613	-	13,841,823
<i>Total Capital Assets Being Depreciated</i>	<u>67,822,027</u>	<u>2,546,933</u>	<u>(117,993)</u>	<u>70,250,967</u>
Less: Accumulated Depreciation				
Buildings	(2,480,071)	(123,917)	-	(2,603,988)
Improvements	(2,225,333)	(226,977)	-	(2,452,310)
Furniture and Fixtures	(33,602)	(520)	-	(34,122)
Machinery and Equipment	(2,432,205)	(257,359)	-	(2,689,564)
Vehicles	(2,477,951)	(326,674)	117,993	(2,686,632)
Infrastructure:				
Traffic Signals	(417,742)	(35,896)	-	(453,638)
Roads	(18,911,993)	(973,722)	-	(19,885,715)
Waterlines	(6,344,164)	(166,796)	-	(6,510,960)
Street Signs & Guard Rails	(26,710)	(3,578)	-	(30,288)
Storm Sewers	(9,059,288)	(408,083)	-	(9,467,371)
<i>Total Accumulated Depreciation</i>	<u>(44,409,059)</u>	<u>(2,523,522) *</u>	<u>117,993</u>	<u>(46,814,588)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>23,412,968</u>	<u>23,411</u>	<u>-</u>	<u>23,436,379</u>
Total Governmental Activities Capital Asset, Net	<u>\$ 31,680,596</u>	<u>\$ 2,682,329</u>	<u>\$ (2,118,891)</u>	<u>\$ 32,244,034</u>

*Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property	\$ 317,392
Leisure Time Activities	92,820
Transportation	1,016,547
General Government	1,034,007
Community Environment	62,756
Total Depreciation Expense	<u>\$ 2,523,522</u>

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 10: CAPITAL ASSETS (Continued)

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Business-Type Activities				
<i>Capital Assets Being Depreciated</i>				
Buildings	\$ 1,136,841	\$ -	\$ -	\$ 1,136,841
Machinery and Equipment	937,340	25,736	-	963,076
Vehicles	254,681	-	-	254,681
Infrastructure:				
Sanitary Sewers	16,042,963	-	-	16,042,963
<i>Total Capital Assets Being Depreciated</i>	<u>18,371,825</u>	<u>25,736</u>	<u>-</u>	<u>18,397,561</u>
Less: Accumulated Depreciation				
Buildings	(898,533)	(28,421)	-	(926,954)
Machinery and Equipment	(683,134)	(40,299)	-	(723,433)
Vehicles	(242,717)	(2,143)	-	(244,860)
Infrastructure:				
Sanitary Sewers	(13,891,889)	(255,896)	-	(14,147,785)
Total Accumulated Depreciation	<u>(15,716,273)</u>	<u>(326,759)</u>	<u>-</u>	<u>(16,043,032)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>2,655,552</u>	<u>(301,023)</u>	<u>-</u>	<u>2,354,529</u>
Total Business-Type Activities				
Capital Asset, Net	<u>\$ 2,655,552</u>	<u>\$ (301,023)</u>	<u>\$ -</u>	<u>\$ 2,354,529</u>

NOTE 11: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability (Continued)

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 *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group.

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2017
 (Continued)

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

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):

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

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

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

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

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
 (Continued)

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0 %
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$680,479 for 2017. Of this amount, \$89,402 is reported as an intergovernmental payable.

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

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

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

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
 (Continued)

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

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

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 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 OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit 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:

	Police	Firefighters
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	19.50 %	24.00 %

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

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

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was \$841,108 for 2017. Of this amount, \$110,468 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F’s total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	OP&F Police	OP&F Fire	Total
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.038146%	0.030680%	0.106751%	0.078006%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.039508%	0.037551%	0.110824%	0.084409%	
Change in Proportionate Share	<u>0.001362%</u>	<u>0.006871%</u>	<u>0.004073%</u>	<u>0.006403%</u>	
Proportionate Share of the Net Pension Liability/(Asset)	\$ 8,971,595	\$ (20,900)	\$ 7,019,463	\$ 5,346,408	\$ 21,316,566
Pension Expense	\$ 1,996,474	\$ 14,754	\$ 888,920	\$ 712,496	\$ 3,612,644

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Pension Liabilities, Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	OP&F Police	OP&F Fire	Total
Deferred Outflows of Resources					
Net difference between projected and actual earnings on pension plan investments	\$1,336,078	\$5,098	\$682,614	\$519,916	\$2,543,706
Changes of assumptions	1,423,003	5,094	0	0	1,428,097
Differences between expected and actual experience	12,160	0	1,986	1,512	15,658
Changes in proportion and differences between City contributions and proportionate share of contributions	183,319	1,112	183,991	289,324	657,746
City contributions subsequent to the measurement date	652,974	27,505	481,624	359,484	1,521,587
Total Deferred Outflows of Resources	<u>\$3,607,534</u>	<u>\$38,809</u>	<u>\$1,350,215</u>	<u>\$1,170,236</u>	<u>\$6,166,794</u>
Deferred Inflows of Resources					
Differences between expected and actual experience	\$53,392	\$10,690	\$16,162	\$12,309	\$92,553
Changes in proportion and differences between City contributions and proportionate share of contributions	22,948	2,902	17,626	7,475	50,951
Total Deferred Inflows of Resources	<u>\$76,340</u>	<u>\$13,592</u>	<u>\$33,788</u>	<u>\$19,784</u>	<u>\$143,504</u>

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2017
 (Continued)

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Pension Liabilities, Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$1,521,587 reported as deferred outflows of resources related to pension resulting from City's 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:

Year Ending December 31:	OPERS	OPERS	OP&F Police	OP&F	Total
	Traditional Pension Plan	Combined Pension Plan		OP&F Fire	
2018	\$1,214,820	\$783	\$290,909	\$252,245	\$1,758,757
2019	1,222,873	781	290,911	252,247	1,766,812
2020	479,690	562	229,052	205,131	914,435
2021	(39,163)	(1,244)	(14,650)	19,513	(35,544)
2022	0	(1,054)	34,934	56,131	90,011
Thereafter	0	(2,116)	3,647	5,701	7,232
Total	<u>\$2,878,220</u>	<u>(\$2,288)</u>	<u>\$834,803</u>	<u>\$790,968</u>	<u>\$4,501,703</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined 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 of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view 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 percent down to 7.5 percent, for the defined benefit investments.

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
 (Continued)

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPERS (Continued)

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15% simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

The total pension asset in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 8.25 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15% simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2014 Health Annuitant Mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observant period base of 2006 and then established the base year as 2015. For females, Health 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 most recent experience study was completed for the five year period ended December 31, 2015.

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

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2017
 (Continued)

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPERS (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits 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 includes 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. 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 investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	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	<u>100.00 %</u>	<u>5.66 %</u>

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
 (Continued)

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPERS (Continued)

Sensitivity of the City’s Proportionate Share of the Net Pension Liability(Asset) to Changes in the Discount Rate – The following table presents the City’s proportionate share of the net pension liability(asset) calculated using the current period discount rate assumption of 7.5 percent, as well as what the City’s proportionate share of the net pension liability(asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

<u>City's proportionate share of the net pension liability/(asset)</u>	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Traditional Pension Plan	\$13,706,115	8,971,595	\$5,026,208
Combined Plan	\$1,502	(20,900)	(\$38,302)

Actuarial Assumptions – OP&F

OP&F’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 OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent Simple

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

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OP&F (Continued)

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

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2016 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 year Expected Real Rate of Return **</u>	<u>30 year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %		
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 *	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	<u>120.00 %</u>		

* levered 2x

** numbers are net of expected inflation

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

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2017
 (Continued)

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OP&F (Continued)

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 16,469,863	\$ 12,365,871	\$ 8,887,666

Changes between the Measurement Date and Report Date – In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2016. The most significant change is the reduction in the discount rate from 8.25 percent to 8.00 percent. Although the exact amount of these changes is not known, the impact the City’s net position liability is expected to be significant.

NOTE 12: POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 12: POST-EMPLOYMENT BENEFITS (Continued)

Ohio Public Employees Retirement System (Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which fund 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 Accounts (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 2016 CAFR for details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS may be 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 14.00 percent of earnable salary. 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 1.00 percent during calendar year 2017. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.00 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.00 percent.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 12: POST-EMPLOYMENT BENEFITS (Continued)

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$54,868, \$109,841 and \$101,934, respectively. For 2017, 89 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

Ohio Police and Firemen's Disability and Pension Fund

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, OH 43215-5164, and is also available on OP&F's 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, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the 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 the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.50 percent of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of the Sections 115 and 401(h).

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
 (Continued)

NOTE 12: POST-EMPLOYMENT BENEFITS (Continued)

Ohio Police and Firemen’s Disability and Pension Fund (Continued)

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

The City’s contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$13,155 and \$8,093 for the year ended December 31, 2017, \$13,238 and \$8,192 for the year ended December 31, 2016, and \$12,323 and \$7,279 for the year ended December 31, 2015. 89 percent has been contributed for police and 86 percent has been contributed for firefighters for 2017. The full amount has been contributed for 2016 and 2015.

NOTE 13: COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated contracts, City ordinances and State laws. Employees earn one to six weeks of vacation per year, depending upon length of service. One year of vacation eligibility may be carried over to the following year.

Employees may bank up to annual eligibility plus earned vacation time toward retirement, payable at retirement or termination. Approval of any cash payment is within the sole discretion of the City of Broadview Heights.

Employees earn sick leave at the rate of 10 hours per month of service (Fire Department earns 13 hours of sick leave per month of service). Sick leave accumulation is unlimited. Upon retirement or death, employees can be paid the following:

<u>Department</u>	<u>Maximum</u>
Service Department	1/3 of 140 days (373 hours)
Corrections	1/3 of 120 days (320 hours)
Dispatch:	
Hired prior to 1/1/88	1/3 of 160 days (427 hours)
Hired after 1/1/88	1/3 of 120 days (320 hours)
Patrol:	
Hired prior to 1/1/88	1/3 of 160 days (427 hours)
Hired after 1/1/88	1/3 of 120 days (320 hours)
Sergeant:	
Hired prior to 1/1/88	1/3 of 160 days (427 hours)
Hired after 1/1/88	1/3 of 120 days (320 hours)
Fire Department	1/3 of 150 days (400 hours)
Level 1 and 2 hired prior to 1/1/96	1/3 of 160 days (427 hours)
Level 1 and 2 hired after to 1/1/96	1/3 of 120 days (320 hours)
Level 3 & 4	1/3 of 120 days (320 hours)

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2017
 (Continued)

NOTE 14: LONG-TERM OBLIGATIONS

General Obligation Bonds

Outstanding general obligation bonds consist of utility system and government building construction issues. General obligation bonds have been issued for governmental activities.

General obligation bonds are direct obligations of the City for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property in the City. General obligation bonds currently outstanding are as follows:

Purpose	Maturity Date	Interest Rates	Original Amount
Governmental Activities			
2003 Street Improvement	2023	4.58%	\$ 96,000
2004 Building Improvement	2024	3.00% - 5.00%	300,000
2006 Street Improvement	2026	3.75% - 5.00%	1,029,649
2006 Demolition Project	2026	3.75% - 5.00%	621,476
2012 Various Improvement Refunding	2019	1.30% - 2.00%	1,490,000
2014 Street Improvement	2024	2.00% - 2.50%	700,000
2014 Telecommunications Project	2019	2.00%	245,000
2016 Park and Recreation Facilities Improvement	2040	2.00% - 5.00%	15,000,000
Total			<u>\$ 19,482,125</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	General Obligation Bonds		
	Governmental Activities		
	Principal	Interest	Total
2018	\$ 868,377	\$ 510,528	\$ 1,378,905
2019	886,960	476,673	1,363,633
2020	651,960	443,980	1,095,940
2021	665,540	414,153	1,079,693
2022	685,322	393,248	1,078,570
2023-2027	3,209,016	1,658,125	4,867,141
2028-2032	3,035,000	1,246,430	4,281,430
2033-2037	3,555,000	756,875	4,311,875
2038-2040	2,450,000	166,244	2,616,244
	<u>\$ 16,007,175</u>	<u>\$ 6,066,256</u>	<u>\$ 22,073,431</u>

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

General Obligation Bonds (Continued)

In February 2012, the City issued \$1,820,000 refunded general obligation bonds. The proceeds of the bonds were used to refund \$1,490,999 of the City's outstanding municipal complex improvement bonds and \$329,502 of the sewer improvement special assessment bonds, Series 1999. The bonds were issued for an 8 year period with final maturity at December 1, 2019. At the date of the refunding, \$1,856,682 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. As of December 31, 2017, \$755,000 of these bonds are considered defeased.

Special Assessment Bonds

Outstanding special assessment bonds consist of street and utility improvements which are payable from the proceeds of tax assessments against individual property owners. Special assessment bonds currently outstanding are as follows:

Purpose	Maturity Date	Interest Rates	Original Amount
Governmental Activities			
2001 Sewer Improvement	2021	6.10%	211,000
2003 Street Improvement	2023	4.20%	200,000
2003 Street Improvement	2023	4.20%	800,000
2003 Sewer Improvement	2023	4.58%	304,000
2004 Street Improvement	2024	3.00% - 5.00%	505,000
2006 Sewer Improvement	2026	3.75% - 5.00%	582,448
2006 Sewer Improvement	2026	3.75% - 5.00%	71,427
2012 Sewer Improvement Refunding	2019	1.30% - 2.00%	330,000
2014 Sewer Improvement	2034	2.00% - 3.50%	930,000
Total			<u>\$ 3,933,875</u>

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ending December 31,	Special Assessment Bonds		
	Governmental Activities		
	Principal	Interest	Total
2018	\$ 241,316	\$ 75,623	\$ 316,939
2019	243,643	66,761	310,404
2020	204,610	58,269	262,879
2021	206,218	50,063	256,281
2022	204,678	41,856	246,534
2023-2027	546,013	112,583	658,596
2028-2032	270,000	48,912	318,912
2033-2034	120,000	6,300	126,300
	<u>\$ 2,036,478</u>	<u>\$ 460,367</u>	<u>\$ 2,496,845</u>

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2017
 (Continued)

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

OWDA Loans

The City entered into various loan agreements with the Ohio Water Development Authority for the purpose of improving and expanding sanitary sewers. These loans are payable from the proceeds of tax assessments against individual property owners.

OWDA loans currently outstanding are as follows:

Purpose	Maturity Date	Interest Rates	Original Amount
Governmental Activities			
1997 Sanitary Sewer Project	2019	4.12%	607,188
1999 Sanitary Sewer Project	2021	4.02%	719,567
Total			<u>\$ 1,326,755</u>

Annual debt service requirements to maturity for OWDA loans are as follows:

Year Ending December 31,	OWDA Loans		
	Governmental Activities		
	Principal	Interest	Total
2018	\$ 91,578	\$ 7,300	\$ 98,878
2019	95,340	4,524	99,864
2020	52,190	1,985	54,175
2021	26,887	403	27,290
	<u>\$ 265,995</u>	<u>\$ 14,212</u>	<u>\$ 280,207</u>

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2017
 (Continued)

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

OPWC Loans

In 2008, the City obtained a loan with the Ohio Public Works Commission (OPWC) for road improvements in the amount of \$200,000 at 0 percent interest to be repaid over 10 years with payments beginning in 2009.

The Ohio Public Works Commission (OPWC) approved a loan to the City of North Royalton to finance the Sprague Road Resurfacing Project. OPWC has committed up to \$464,600 at a zero percent interest rate for twenty years. The City, City of North Royalton, and City of Parma have an agreement to share the debt service requirements of the OPWC loan. The City of North Royalton will pay 100 percent of the debt service requirements; the City will reimburse the City of North Royalton 27 percent of the annual debt service requirement, and the City of Parma will reimburse the City of North Royalton 50 percent of the annual debt service requirement.

Annual debt service requirements to maturity for OPWC loans are as follows:

Year Ending December 31,	OPWC Loans
	Governmental Activities Principal
2018	26,272
2019	16,272
2020	6,272
2021	6,272
2022	6,272
2023-2027	31,361
2028-2032	31,361
2033-2035	18,816
	\$ 142,898

Other

Compensated absences will be paid from the fund from which the person is paid. This is generally from the General Fund, the Fire Levy Fund, the Street Maintenance Fund, the Repair Fund, or the Recreation Fund. See Note 11 for information regarding Net Pension Liability and Note 15 for further information regarding Capitalized Leases.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

Changes in Long Term Liabilities

Long term liability activity for the year ended December 31, 2017 was as follows:

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Governmental Activities:					
<i>General Obligation Bonds</i>					
Sewer Improvements (2003) 4.58 % through 2023	\$ 43,200	\$ -	\$ (4,800)	\$ 38,400	* \$ 6,000
Building Improvements (2004) 3.00% - 5.00% through 2024	145,000	-	(15,000)	130,000	15,000
Street Improvements (2006) 3.75% - 5.00% through 2026	565,080	-	(51,371)	513,709	51,371
Demolition Project (2006) 3.75% - 5.00% through 2026	341,072	-	(31,006)	310,066	31,006
Energy Improvement Project (2007) 4.00% - 4.25% through 2017	200,000	-	(200,000)	-	-
Municipal Complex Refunding Bonds (2012) 1.30 % - 2.00 % through 2019	590,000	-	(195,000)	395,000	195,000
Unamortized Bond Premium	17,059	-	(7,873)	9,186	-
Various Purpose Bonds (2014) 2.00% - 2.50% through 2024	570,000	-	(65,000)	505,000	70,000
Unamortized Bond Premium	11,211	-	(1,455)	9,756	-
Various Purpose Bonds (2014) 2.00% through 2019	150,000	-	(50,000)	100,000	50,000
Unamortized Bond Premium	4,375	-	(1,616)	2,759	-
Park and Recreation Facilities Improvement Bonds (2016) 2.00% - 5.00% through 2040	14,455,000	-	(440,000)	14,015,000	450,000
Total General Obligation Bonds	<u>17,091,997</u>	<u>-</u>	<u>(1,063,121)</u>	<u>16,028,876</u>	<u>868,377</u>

continued

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

Changes in Long Term Liabilities (Continued)

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017	Due Within One Year
<i>Special Assessment Bonds With City Commitment</i>					
Sewer Improvement (2001) 6.1% through 2021	77,460	-	(13,836)	63,624 *	14,693
Street Improvement (2003) 4.20% through 2023	345,000	-	(45,000)	300,000	45,000
Street Improvement (2003) 4.20% through 2023	80,000	-	(10,000)	70,000	10,000
Sewer Improvements (2003) 4.58% through 2023	136,800	-	(15,200)	121,600 *	19,000
Street Improvement (2004) 3.00% - 5.00% through 2024	250,000	-	(30,000)	220,000	30,000
Sewer Improvements (2006) 3.75% - 5.00% through 2026	319,681	-	(29,059)	290,622 *	29,059
Sewer Improvements (2006) 3.75% - 5.00% through 2026	39,196	-	(3,564)	35,632 *	3,564
Sewer Improvement Refunding (2012) 1.30% - 2.00% through 2019	130,000	-	(40,000)	90,000 *	45,000
Unamortized Bond Premium	3,726	-	(1,720)	2,006	-
Sewer Improvements (2014) 2.00% - 3.50% through 2034	88,000	-	(3,000)	85,000	5,000
Sewer Improvements (2014) 2.00% - 3.50% through 2034	292,000	-	(12,000)	280,000	15,000
Sewer Improvements (2014) 2.00% - 3.50% through 2034	500,000	-	(20,000)	480,000	25,000
Unamortized Bond Premium	4,339	-	(245)	4,094	-
Total Special Assessments Bonds	2,266,202	-	(223,624)	2,042,578	241,316

continued

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

Changes in Long Term Liabilities (Continued)

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017	Due Within One Year
<i>OWDA Loans</i>					
Interest rates vary from 4.02% to 4.35%, due through 2021	\$ 364,458	\$ -	\$ (98,463)	\$ 265,995	\$ 91,578
<i>OPWC Loan</i>					
0% due 2019	50,000	-	(20,000)	30,000	20,000
<i>City of North Royalton OPWC Loan</i>					
0% due 2035	-	119,170	(6,272)	112,898	6,272
Capital Leases	859,691	-	(282,689)	577,002	278,827
Compensated Absences	1,794,111	675,460	(579,194)	1,890,377	615,072
Net Pension Liability:					
OPERS	6,183,175	1,861,654	-	8,044,829	-
OP&F	11,885,569	480,302	-	12,365,871	-
Total Net Pension Liability	<u>18,068,744</u>	<u>2,341,956</u>	<u>-</u>	<u>20,410,700</u>	<u>-</u>
Total Governmental Activities	<u>\$ 40,495,203</u>	<u>\$ 3,136,586</u>	<u>\$ (2,273,363)</u>	<u>\$ 41,358,426</u>	<u>\$ 2,121,442</u>
Business-Type Activities:					
Capital Leases	\$ 115,769	\$ -	\$ (21,674)	\$ 94,095	\$ 22,390
Compensated Absences	49,320	19,275	(16,986)	51,609	15,501
Net Pension Liability - OPERS	424,193	502,573	-	926,766	-
Total Business-Type Activities	<u>\$ 589,282</u>	<u>\$ 521,848</u>	<u>\$ (38,660)</u>	<u>\$ 1,072,470</u>	<u>\$ 37,891</u>

* These debt issues are recorded in governmental funds to finance assets of the business-type activities. See notation on page 13 for a further description of the presentation on the statement of net position.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 15: CAPITALIZED LEASES

In prior years, the City entered into capital lease obligations related to equipment and vehicles which are leased under long-term agreements. These leases meet the criteria of a capital lease as defined under generally accepted accounting standards. The assets of such agreements are recorded in the Governmental Activities and Business-Type Activities as shown on the Statement of Net Position.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2017.

Year	Governmental Activities	Business-Type Activities
2018	\$ 291,562	\$ 25,498
2019	194,905	25,497
2020	88,510	25,498
2021	25,497	25,498
Total Minimum Lease Payments	600,474	101,991
Less Amount Representing Interest	(23,472)	(7,896)
Present Value of Minimum Lease Payments	<u>\$ 577,002</u>	<u>\$ 94,095</u>

The assets being acquired have been capitalized in the governmental and business-type activities in the amount of \$1,679,980 and \$162,247, respectively, which is the present value of the minimum lease payments at the inception of each lease.

NOTE 16: 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 omission; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

The City also maintains a variety of liability insurance coverages with varying deductibles.

The City bonds the Mayor for his term, along with several specific employees (i.e. Finance Director, Clerk of Courts, etc) where required by Ohio Revised Code.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been significant reduction in coverage from the prior year.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 16: RISK MANAGEMENT (Continued)

Medical

The City provides life, health and dental benefits to full time city employees. Coverage is provided by a commercial insurance carrier under a shared-funding plan. The City will pay up to a predetermined amount toward each employee's health care costs after employees meet their deductible. Once this "funding corridor" has been met, the insurance company will pay the employee's remaining annual health care costs.

Workers' Compensation

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 17: CONTINGENCIES

The City of Broadview Heights, Ohio, is a defendant in several lawsuits, the outcome of which cannot be determined. It is the opinion of the City's management that any judgment against the City would not have a material adverse effect on the City's financial position, and would be covered by liability insurance maintained by the City.

NOTE 18: JOINTLY GOVERNED ORGANIZATION

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. The Council's Board is comprised of one member from each of the participating cities. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Budgets are adopted by the Board. Each City's degree of control is limited to its representation on the Board. The Council has established two subsidiary organizations, the Hazardous Material Response Team ("HAZMAT"), which provides hazardous material protection and assistance, and the Southwest Enforcement Bureau, which provides extra assistance to cities in the form of a SWAT team. In 2017, the City of Broadview Heights contributed \$18,000 to the Council. Financial information may be obtained by writing to the Finance Director of the City of Berea, at 11 Berea Commons, Berea, Ohio 44017.

CITY OF BROADVIEW HEIGHTS
 Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017
 (Continued)

NOTE 19: 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:

Fund	Amount
General Fund	\$ 89,829
Fire Levy Fund	38,077
Park and Recreation Facilities Capital Improvement Fund	10,780,515
Nonmajor Governmental Funds	992,719
	\$ 11,901,140

NOTE 20: TAX ABATEMENT DISCLOSURES

Pursuant to Ohio Revised Code chapter 3735-65-70, the City has established a designated Community Reinvestment Area (CRA) in an effort to encourage economic growth. The CRA program provided the City with resources used to stimulate growth and economic development by providing a direct incentive tax exemption benefiting commercial property owners who renovate existing or construct new buildings within the designated area. Improvements within the CRA designated area are granted an abatement of 75% for years 1 through 5, 60% for years 6 through 10 and 50% for years 11 through 15, on the additional property taxes resulting from the increase in assessed value as a result of the improvements.

Along with the CRA agreement, the City entered into a revenue sharing agreement with the Brecksville Broadview Heights School District in order to not harm the school district as a result of the loss of property tax dollars. A formula is used to create a range based on municipal withholding tax remitted in the CRA. The range consists of 25% to 75% of the withholding tax. The amount of property tax abated, pro-rated for the portion owing to the school district is compared to the range. If the amount falls within the range, this amount is remitted to the school district. If the amount falls below the range, the 25% creating the lower limit of the range is remitted to the school district. If the amount exceeds the top of the range, the 75% creating the upper limit of the range is remitted.

For the year ended December 31, 2017, the amount of property taxes abated in the CRA was \$73,141.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability(Asset)
Ohio Public Employees Retirement System
Last Four Years (1)

Traditional Plan	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.039508%	0.038146%	0.037103%	0.037103%
City's Proportionate Share of the Net Pension Liability	\$8,971,595	\$6,607,368	\$4,475,036	\$4,373,960
City's Covered-Employee Payroll	\$5,108,183	\$4,746,658	\$4,563,900	\$4,449,808
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	175.63%	139.20%	98.05%	98.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%
Combined Plan	2017	2016	2015	2014
City's Proportion of the Net Pension (Asset)	0.037551%	0.030680%	0.035531%	0.035531%
City's Proportionate Share of the Net Pension (Asset)	(\$20,900)	(\$14,930)	(\$13,680)	(\$3,728)
City's Covered-Employee Payroll	\$146,167	\$111,642	\$130,858	\$112,323
City's Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Employee Payroll	14.30%	13.37%	10.45%	3.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	116.55%	116.90%	114.83%	104.33%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Four Years (1)

Police	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.1108237%	0.1067515%	0.1072636%	0.1072636%
City's Proportionate Share of the Net Pension Liability	\$7,019,463	\$6,867,398	\$5,693,674	\$5,224,074
City's Covered-Employee Payroll	\$2,605,395	\$2,475,342	\$2,371,479	\$2,417,546
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	269.42%	277.43%	240.09%	216.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	71.71%	73.00%
Fire	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0844094%	0.0780059%	0.0782230%	0.0782230%
City's Proportionate Share of the Net Pension Liability	\$5,346,408	\$5,018,171	\$4,152,166	\$3,809,705
City's Covered-Employee Payroll	\$1,624,723	\$1,472,494	\$1,695,566	\$1,398,571
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	329.07%	340.79%	244.88%	272.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	71.71%	73.00%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employees Retirement System
Last Five Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Contractually Required Contributions</u>					
Traditional Plan	652,974	612,982	569,599	547,668	578,475
Combined Plan	<u>27,505</u>	<u>17,540</u>	<u>13,397</u>	<u>15,703</u>	<u>14,602</u>
Total Required Contributions	\$680,479	\$630,522	\$582,996	\$563,371	\$593,077
Contributions in Relation to the Contractually Required Contribution	<u>(\$680,479)</u>	<u>(\$630,522)</u>	<u>(\$582,996)</u>	<u>(\$563,371)</u>	<u>(\$593,077)</u>
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>City's Covered-Employee Payroll</u>					
Traditional Plan	\$5,022,877	\$5,108,183	\$4,746,658	\$4,563,900	\$4,449,808
Combined Plan	\$211,577	\$146,167	\$111,642	\$130,858	\$112,323
<u>Pension Contributions as a Percentage of Covered- Employee Payroll</u>					
Traditional Plan	13.00%	12.00%	12.00%	12.00%	13.00%
Combined Plan	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Contractually Required Contributions</u>										
Police	\$481,624	\$495,025	\$470,315	\$450,581	\$380,280	\$282,416	\$271,519	\$278,399	\$275,218	\$275,822
Fire	\$359,484	\$381,810	\$346,036	\$398,458	\$282,931	\$219,043	\$220,877	\$226,665	\$231,775	\$236,148
Total Required Contributions	\$841,108	\$876,835	\$816,351	\$849,039	\$663,211	\$501,459	\$492,396	\$505,064	\$506,993	\$511,970
Contributions in Relation to the Contractually Required Contribution	(\$841,108)	(\$876,835)	(\$816,351)	(\$849,039)	(\$663,211)	(\$501,459)	(\$492,396)	(\$505,064)	(\$506,993)	(\$511,970)
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's Covered-Employee Payroll										
Police	\$2,534,863	\$2,605,395	\$2,475,342	\$2,371,479	\$2,417,546	\$2,215,027	\$2,129,561	\$2,183,522	\$2,158,573	\$2,163,310
Fire	\$1,529,719	\$1,624,723	\$1,472,494	\$1,695,566	\$1,398,571	\$1,269,814	\$1,280,446	\$1,314,000	\$1,343,623	\$1,368,974
<u>Pension Contributions as a Percentage of Covered- Employee Payroll</u>										
Police	19.00%	19.00%	19.00%	19.00%	[1]	12.75%	12.75%	12.75%	12.75%	12.75%
Fire	23.50%	23.50%	23.50%	23.50%	[1]	17.25%	17.25%	17.25%	17.25%	17.25%

[1] – The portion of the City's contributions to fund pension obligations from January 1, 2013 thru May 31, 2013, for both police officers and firefighters was 14.81 percent and 19.31 percent, respectively. The portion of the City's contributions to fund pension obligations from June 1, 2013 thru December 31, 2013 for both police officers and firefighters was 16.65 percent and 21.15 percent, respectively.

CITY OF BROADVIEW HEIGHTS
Cuyahoga County, Ohio
Notes to the Required Supplementary Information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) 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.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Broadview Heights
Cuyahoga County
9543 Broadview Road
Broadview Heights, Ohio 44147

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Broadview Heights, Cuyahoga County, (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 September 25, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 25, 2018



Dave Yost • Auditor of State

CITY OF BROADVIEW HEIGHTS

CUYAHOGA 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
OCTOBER 9, 2018**