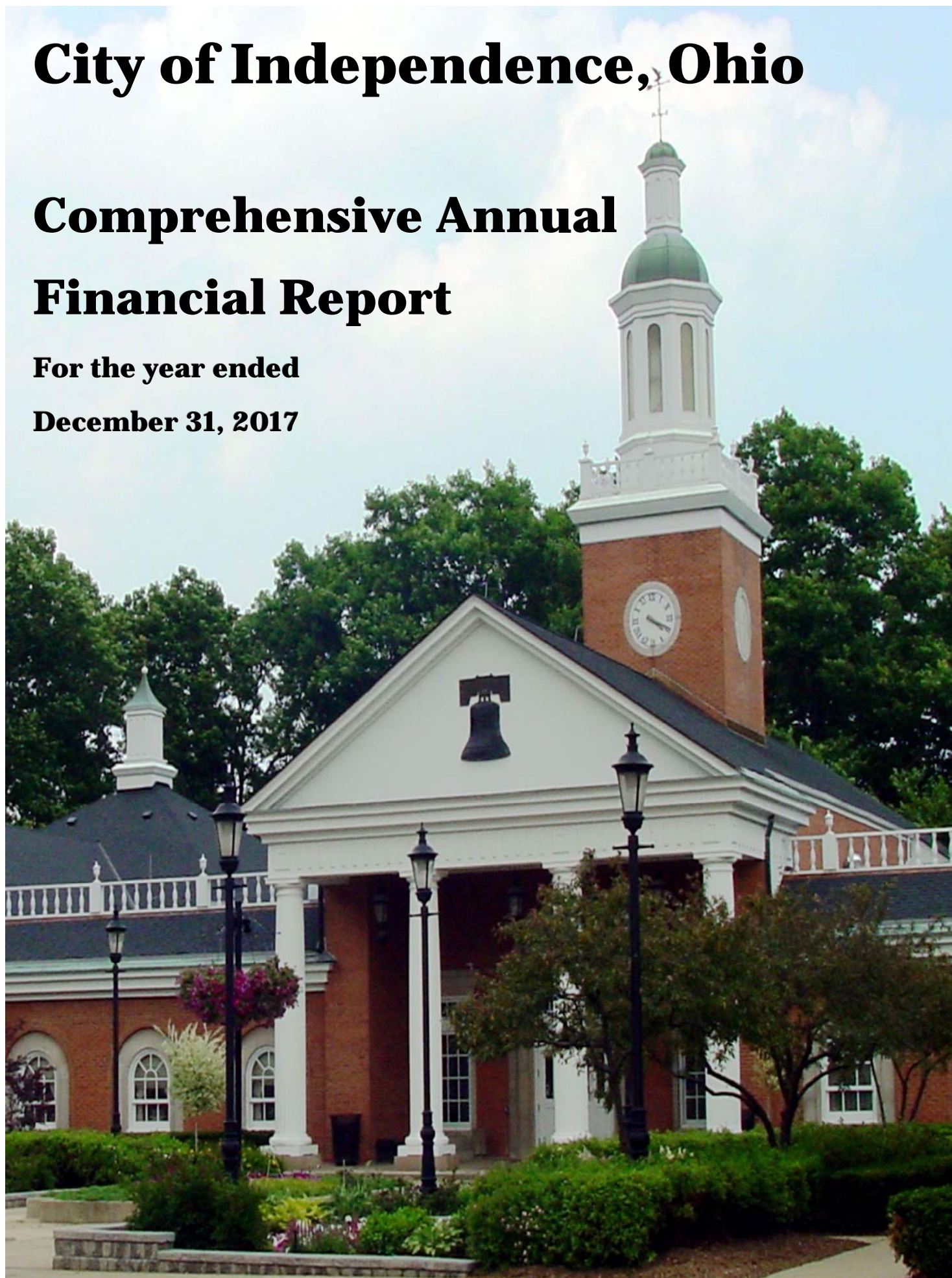


City of Independence, Ohio

Comprehensive Annual Financial Report

For the year ended

December 31, 2017





Dave Yost • Auditor of State

City Council
City of Independence
6800 Brecksville Road
Independence, Ohio 44131

We have reviewed the *Independent Auditor's Report* of the City of Independence, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

July 30, 2018

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CITY OF INDEPENDENCE, OHIO

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2017

John M. Veres, CPA, CPFA
Finance Director

Prepared by the City Finance Department

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Introductory Section



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City of Independence, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2017
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City of Independence, Ohio

"THE HEART OF CUYAHOGA COUNTY"

6800 BRECKSVILLE ROAD

INDEPENDENCE, OHIO 44131

(216) 524-4131

June 22, 2018

Honorable Citizens of Independence
and Members of City Council
Independence, Ohio

This report enables the City to comply with Ohio Administrative Code Section 117-2-03 (B), which requires reporting on a GAAP (Generally Accepted Accounting Principles) basis, and Ohio Revised Code Section 117.38 which requires the cities reporting on a GAAP basis to file an annual report with the Auditor of State within 150 days of year-end.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Ciuni & Panichi, Inc., a Certified Public Accounting firm, has issued an unmodified ("clean") opinion of the City of Independence's financial statements for the year ended December 31, 2017. The Independent Auditor's Report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the City

In 1814, the Township of Independence was named. Independence was then incorporated in 1914 and became a City on November 12, 1960. The commerce of the community was initially built around farming and sandstone quarrying. Most of the sandstone was loaded onto barges in the nearby Ohio and Erie Canal headed for downtown Cleveland to build many of the buildings in the City.

The current population is estimated to be 7,114 (2016 Census estimate) indicating a comfortable average of approximately 731 persons per square mile in this City of 9.73 square miles (6,138.3 acres). Independence has the lowest property tax rate of any city in Cuyahoga County. The 2016 residential rate paid in 2017 is \$62.05 per one thousand dollars of assessed valuation. The 2016 rate for Cleveland, for example, is \$92.22.

The City Hall and Police Facility was dedicated in 1982, and the Fire Station was dedicated in 1995. The Fire Station and equipment are manned by 25 full-time and 6 part-time firefighters. There are 32 full-time and 2 part-time police officers on the staff of the Police Department.

The City is a home-rule municipal corporation operating under the laws of the State of Ohio. The City's current Charter, its municipal constitution, has been amended seven times since its original adoption on November 4, 1958. The laws of the State of Ohio prevail when conflicts exist between the Charter and the State constitution and in matters where the Charter is silent. The Charter provides for a "Mayor-Council" form of government. The City's Charter can only be amended by a majority vote of the electorate.

According to the Charter, the City of Independence's Chief Executive Officer is the Mayor, who is elected by the voters for a four-year term to begin on the first day of January following the election. No person shall serve as Mayor for more than two (2) consecutive terms of office. The Mayor appoints, subject to the approval of Council, the Law Director, the Fire Chief, and Police Chief. The Mayor appoints all of the Directors to the City's Departments with the exception of the Director of Finance and the Clerk of Council. The Mayor serves as the conservator of the peace, and is responsible to the electors for enforcement of all laws and ordinances. The Mayor executes on behalf of the municipality all contracts, conveyances, and all other instruments to which the municipality is a party. The Mayor is the official and ceremonial head of the City and shall receive all civil processes in any action wherein the municipality is a party. The Mayor also serves as the Safety Director and presides over Mayor's Court.

The Director of Finance is elected for a four-year term to begin on the first day of January following the election. The Director shall be bonded for the faithful performance of his/her duties before taking office. The amount of such bond shall be set by Council. The Director of Finance shall hold a bachelor's degree from an accredited college or university AND have had at least five (5) years of experience in accounting or finance.

Legislative authority is vested in a seven-member Council who are elected at-large. Council members are elected for two-year terms through a non-partisan election process and can serve for five (5) consecutive terms. Their term of office begins January 1.

The Chief of Police and Fire Chief are appointed by the Mayor with the consent of a majority of the members elected to Council. Council sets maximum pay grade limits for each officer, employee and member of any board or commission of the City. The compensation of the Mayor, Director of Finance and Council shall be fixed not less than one hundred twenty (120) days prior to the term next beginning.

The Law Director and the Service Director are appointed by the Mayor with the consent of a majority of the members elected to Council. The Mayor appoints the three members of the City's Civil Service Commission with the approval of a majority of the members elected to Council. Council sets maximum pay grade limits for City officials and employees, and enacts legislation in the form of ordinances and resolutions relative to City services, tax levies, appropriating and borrowing monies, and other municipal purposes.

Council is required to adopt a permanent appropriation measure within ninety days of the beginning of the year covered by such ordinance. The annual budget serves as the foundation for the City's financial planning and control.

Local Economy

From the beginning, the City of Independence has become the most strategically located industrial, commercial and residential area in the County. It is a developing Cleveland suburb and continues to expand, primarily due to the junction of major interstates (I-77 and I-480). Employees can conveniently get to Independence by either car or bus. Bus service is provided by the Greater Cleveland Regional Transit Authority.

The City of Independence is centrally located eight miles south of the City of Cleveland. The northern part of the City of Independence, known as the Rockside Road area, has great access to the largest road network in Northern Ohio. Interstate-77 (the route to Columbia, South Carolina from Cleveland) intersects with Interstate-480, which is the outer belt south highway, connecting the east with the west across the County. Interstate-480 connects with Interstate-271 to the east and Interstate-71 to the west. The Ohio Turnpike connection is 10 miles south by Interstate-77 and Cleveland Hopkins Airport is 12 miles west off Interstate-480.

There are also many fine restaurants (over 35 of them to choose from), motels and hotels (13 of them with over 2,000 available rooms) located within the City – Comfort Inn, Courtyard by Marriott, Doubletree, Embassy Suites, Hampton Inn and Suites, Holiday Inn, Hyatt Place, LaQuinta, Red Roof Inn, Residence Inn by Marriott, and the Crowne Plaza – all with convenient access to the Interstates. A 121 room SpringHill Suites by Marriott and a 103 room Home2 Suites by Hilton opened in 2016.

Some of the prestigious businesses of over 700 businesses that have chosen to locate in the City of Independence are the Cleveland Clinic Foundation; Kichler Lighting; Cleveland Cavaliers NBA Basketball Team; “Cleveland Clinic Courts” practice facility; Travelers Insurance; Farmers Insurance; CBIZ; Airgas; SIRVA; iHeartMedia; Independence Excavating; Novar Controls-Honeywell International, Inc.; CSA International; Wegman, Hessler, and Vanderburg; Hylant Group; Dayton Heidelberg Distributing; Fedeli Group, Inc.; Kent State University College of Podiatric Medicine; All Erection Crane Rental Co.; and UTC Aerospace Systems.

Even though the City’s resident population is relatively small (7,114 as of the 2016 Census estimate), the daytime population approaches 21,000 during the work week; and when the vendor, customer, client, patient, and flow-through activity during the daytime are included, the commercial population can reach 35,000-40,000.

Major Initiatives

The City completed a process that resulted in the adoption of an Economic Development Strategic Plan (EDSP). The EDSP provides specific strategies, action items, and performance targets to help guide local officials, by providing the tools necessary to strengthen the local economy.

One of the EDSP action items was land banking vacant property in the Rockside Road corridor. Acting on this recommendation, the City purchased 33 acres of vacant commercial property adjacent to Rockside Road in May 2014. In 2016, the City signed a Memorandum of Understanding with a national developer that is planning a mixed-use project for the site.

Another result of the EDSP was recommendations for the City’s downtown area. Over ten years ago the City purchased the old middle school and surrounding land. The site sits right in the middle of downtown, and has the potential to be a catalyst for area-wide redevelopment. At the end of 2016, City leadership determined that the old middle school was a detriment to redeveloping downtown Independence, so the decision was made to demolish the structure.

The City continued its commitment to fund infrastructure projects. These projects include road resurfacing, curbs, gutters, sidewalks, landscaping, and water, sanitary and storm sewer lines, along with fiber optic technology. The infrastructure of the City is well maintained and this is typified by the pavement maintenance and rehabilitation projects that occur annually throughout the City.

The City initiated a major infrastructure project at the Interstate 77 and Rockside Road Interchange in 2016. The \$2,500,000 project will expand the capacity of the Interstate 77 southbound ramp to two lanes. This ramp expansion will allow for an additional lane to be constructed on Rockside Road dedicated to Interstate 77 southbound, while also allowing for dual left turns from westbound Rockside Road. The completed project improves traffic flow and has reduced congestion in the Rockside Road corridor.

The City, driven by the Director of Finance, has aggressively pursued the use of Tax Increment Financing (TIF Financing) as an economic development tool. The City currently has 18 areas designated as TIF Financing districts and has received \$13,524,500 of payments in lieu of taxes since the inception of the TIF Financing program.

Long-term Planning

In 2003 the City's Administration and Council created a Planned Capital Purchase Program with the passage of Ordinance 2003-26. The purpose of the program is to allow Council to appropriate for and encumber funds over a number of years for large capital purchases. Purchase orders generated for these planned capital purchases will remain open until the year of acquisition.

In 2008 the City's Administration and Council expanded this program and created the first ever Five-Year Capital Plan. The plan is discussed and debated at length throughout the year and the completed plan is presented to Council for approval. The Five-Year Capital Plan is reviewed annually and the first year in the plan will be a part of the current year's appropriation.

Included in the five-year plan is a schedule of department capital improvements such as vehicle and equipment needs along with building improvements and land acquisition. Infrastructure improvements included are categorized as major street, sanitary sewer, storm sewer and sidewalk projects.

Having the Five-Year Capital Plan in place is very beneficial because it creates the need to think strategically and long-term. It also changes the vision of planning from one year at a time to looking five years into the future while considering how to pay for the improvements now and in the future.

The City has also completed a planning process to develop a series of Area Plans. The Area Plans focus on the City's commercial districts: Rockside Road Corridor; Downtown; Community Campus; Cloverleaf and East Pleasant Valley. The goal of the planning effort was to develop the legal and logical foundation for making public policy, including improving the City's zoning code and land use regulations, convey the City's intentions to the development community, and recommend future urban design projects to make these districts more desirable to businesses. The Area Plans were adopted by City Council in 2015.

A key recommendation from the Area Plans was for the City to consider creating zoning that would enable limited mixed-use development in the Rockside Road Corridor and Downtown. Following this recommendation, City Council approved the creation of Planned Unit Development (PUD) Districts for both of these commercial districts in 2015. Efforts continued in 2017 to identify opportunities to provide more zoning flexibility in other commercial districts in order to meet the evolving demands of the real estate market.

Relevant Financial Policies

The City has been able to maintain a plan to minimize its debt by borrowing only for capital/infrastructure improvements which proceeds are used for economic development related projects.

In 2003 the City was presented with the opportunity to become a partner with Cuyahoga County in the Rockside Road widening project that had been in the works since the early 1980's. By using Tax Increment Financing for the infrastructure improvements, the Director of Finance felt the additional funds would pay for the project costs, including interest, in full over the 30 years allotted under the TIF program.

In 2017 the City collected \$1,431,139 in TIF revenue, which represented 76 percent of the 2017 debt service for its TIF borrowings.

As of December 31, 2017, the City's total debt was \$31,504,984. Of this amount, \$25,075,967 is eligible to be paid back with future TIF revenues.

Awards and Acknowledgements

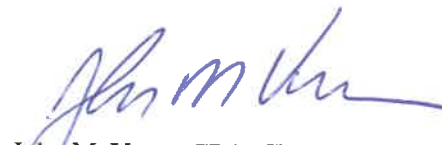
The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Independence for its Comprehensive Annual Financial Report for eight consecutive years including the fiscal year ended December 31, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized comprehensive annual financial report that satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

We would like to thank the Members of Council for their support in striving for excellence in financial reporting and disclosure. We also would like to thank the staff from the Local Government Services Section with the Auditor of State for their help in preparing the GASB 34 statements and our Comprehensive Annual Financial Report. They were helpful, cooperative, professional, and efficient and their assistance was extremely valuable.

This Comprehensive Annual Financial Report was prepared by the Finance Department with the efficient and dedicated service of its entire staff. I express my appreciation to each of them and other employees contributing to this effort.

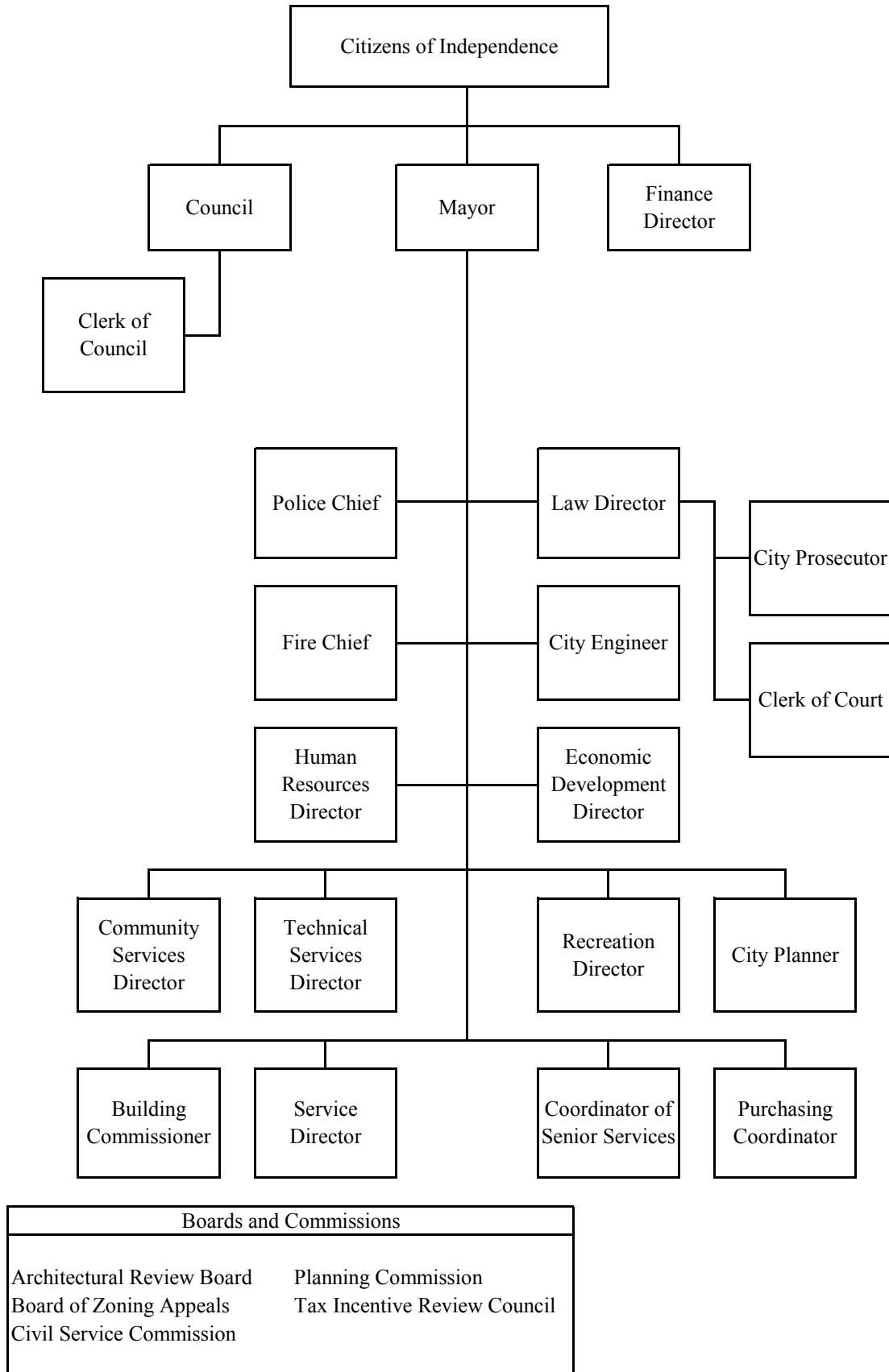
Respectfully submitted,


Anthony L. Togliatti
Mayor


John M. Veres, CPA, CPFA
Director of Finance

City of Independence

Organizational Chart



City of Independence, Ohio

List of Principal Officials

December 31, 2017

Elected Officials

Mayor	Anthony L. Togliatti
Finance Director.....	John M. Veres, CPA, CPFA
Vice Mayor	David Grendel
Council Member	Carl Asseff
Council Member	Kathleen Kapusta
Council Member	Thomas Narduzzi
Council Member	James Trakas
Council Member	Bob Wagner
Council Member	Patricia Wisnieski

Appointed Officials

Clerk of Council.....	Debra J. Beal
Law Director	Gregory O'Brien
City Prosecutor.....	Charles Cichocki

Administration

Human Resources Director	Lisa Zamiska
Community Services Director.....	Natalie Buc
Police Chief.....	Michael Kilbane
City Engineer	Don Ramm
City Planner	Jeffrey S. Markley
Service Director	Leon Karas
Recreation Director.....	Tom Walchanowicz
Fire Chief	Steve Rega
Building Official	Michael Gero
Technical Services Director.....	David Snyderburn
Economic Development Director.....	Jeremy Rowan
Purchasing Coordinator	Gus Katsas
Clerk of Court	Angela T. Zidanic



Government Finance Officers Association

**Certificate of
Achievement
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**City of Independence
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO

Financial Section



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Independent Auditor's Report

Members of the City Council
City of Independence, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Independence, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 14 and the schedules of the City's proportionate share of the net pension liability, schedules of the City's contributions, and the related notes on pages 66 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Members of the City Council
City of Independence, Ohio

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

Ciuni + Panichi, Inc.

Cleveland, Ohio
June 22, 2018

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City of Independence, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

The discussion and analysis of the City of Independence's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter, the basic financial statements, and the accompanying notes to those financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights are as follows:

- ❖ The City remains vigilant and department heads and employees work together to find ways to create more efficiency to ensure that the City's mission *"To provide essential services and to enhance the quality of community life in the most economic and efficient manner possible"* is carried out and implemented each and every day.
- ❖ The City has established several tax incremental financing (TIF) districts within the City under which the City has granted property tax exemptions and agreed to construct certain public infrastructure improvements. A taxpayer whose operations are located within the TIF districts continues to make payments to the jurisdiction in an amount equal to the real property tax liability that otherwise would have been due had the property not been exempted; however, the portion of the property tax on the incremental increase in value that would have gone to the County comes to the City to help pay for those public infrastructure improvements. Since the inception of these districts, the City has received more than \$13.0 million in payments in lieu of taxes (PILOT) revenue on a cash basis.
- ❖ 2017 saw the completion of many road projects. These projects were paid for with cash on hand. The City has many other continuing road projects that will be completed in future years. The City is always looking to improve and repair its roads for the safety of its citizens.
- ❖ The City complies with GASB 68 and GASB 71, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expense/expenditure. The implementation of these GASB statements resulted in a significant change to the financial statements presentation of the City.

Using this Annual Financial Report

This annual report consists of a series of financial statements some of which focus on the City as a whole (government-wide) and some of which focus on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden the basis for comparison (year-to-year or government-to-government) and enhance the City's accountability.

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

City of Independence, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

Reporting the City of Independence as a Whole

Statement of Net Position and the Statement of Activities

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

From the statement of net position, you can determine what the City's current financial position is and will the City be able to finance services in the future, by subtracting total liabilities and deferred inflows of resources (what the City owes) from total assets and deferred outflows of resources (what the City owns). Over time, increases or decreases in the City's net position are one indicator of whether the City's financial health is improving or deteriorating. From the statement of activities, you can determine what the cost of governmental services are and how much of that cost is financed by taxpayers, where the City gets its money from and how it is used, whether the City is better or worse off financially. To assess the overall health of the City, other non-financial factors such as changes in the City's property tax base, income tax base, and the condition of the City's capital assets also should be considered.

Reporting on the Most Significant Funds of the City of Independence

Fund Financial Statements

The fund financial statements, which begins with the balance sheet, provide detailed information about the City's major funds and include the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances. These statements tell how City services charged to major funds were financed in the short-term as well as what remains for future spending. For the City of Independence, the most significant governmental funds are the general fund, the quadrant tax increment financing (TIF) debt service fund, and the capital improvements and the street resurfacing capital projects funds.

All of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end that are 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 to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the statement of net position and statement of activities) and governmental funds is reconciled in the fund financial statements.

City of Independence, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
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The City of Independence as a Whole

Statement of Net Position

As noted earlier, the statement of net position looks at the City as a whole and can prove to be a useful indicator of the City's financial position. Table 1 provides a summary of the City's net position for 2017 and 2016.

Table 1
Net Position

	2017	2016	Change
Assets			
Current and Other Assets	\$41,840,333	\$41,170,565	\$669,768
Capital Assets, Net	109,897,032	106,251,783	3,645,249
Total Assets	<u>151,737,365</u>	<u>147,422,348</u>	<u>4,315,017</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	397,237	435,313	(38,076)
Pension	7,787,893	7,265,221	522,672
Total Deferred Outflows of Resources	<u>8,185,130</u>	<u>7,700,534</u>	<u>484,596</u>
Liabilities			
Current and Other Liabilities	14,319,681	9,179,466	(5,140,215)
Long-Term Liabilities			
Due Within One Year	2,219,165	2,095,196	(123,969)
Due in More than One Year			
Net Pension Liability	27,386,539	24,322,478	(3,064,061)
Other Amounts	17,846,747	25,594,997	7,748,250
Total Liabilities	<u>61,772,132</u>	<u>61,192,137</u>	<u>(579,995)</u>
Deferred Inflows of Resources			
Property Taxes	925,137	776,395	(148,742)
Payments in Lieu of Taxes	1,431,139	1,438,277	7,138
Pension	212,022	235,615	23,593
Total Deferred Inflows of Resources	<u>2,568,298</u>	<u>2,450,287</u>	<u>(118,011)</u>
Net Position			
Net Investment in Capital Assets	78,544,131	75,112,616	3,431,515
Restricted:			
Capital Projects	12,649,662	7,059,950	5,589,712
Debt Service	7,805	0	7,805
State Highway	174,035	141,225	32,810
Street Construction, Maintenance and Repair	846,051	690,663	155,388
Police Pension	681,144	626,477	54,667
Other Purposes	282,001	354,824	(72,823)
Unrestricted	2,397,236	7,494,703	(5,097,467)
Total Net Position	<u>\$95,582,065</u>	<u>\$91,480,458</u>	<u>\$4,101,607</u>

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The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board 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.

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

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

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

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

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

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As of December 31, 2017, the City's overall net position increased by \$4,101,607 from 2016. Total assets increased by \$4.3 million, as revenues continued to exceed expenses resulting in an increase to cash. Capital assets also increased by just over \$3.6 million as additions exceeded depreciation. The significant increase in total deferred outflows of resources in 2017 was due to an increase in the difference between projected and actual earnings on investments related to the City's net pension liability. The net pension liability increase represents the City's proportionate share of the pension plan's unfunded benefits. As indicated above, changes in pension benefits, contributions rates and return on investments affect the balance of the net pension liability. Liabilities increased mainly due to the increase in the net pension liability as well as the issuance of additional bond anticipation notes partially offset by the pay down of general obligation bonds in 2017. Further details of the changes in net position between 2017 and 2016 can be observed in Table 2.

Table 2
Changes in Net Position

	2017	2016	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$2,174,228	\$2,097,281	\$76,947
Operating Grants and Contributions	2,883,237	658,459	2,224,778
Capital Grants and Assessments	352,701	122,246	230,455
<i>Total Program Revenues</i>	<u>5,410,166</u>	<u>2,877,986</u>	<u>2,532,180</u>
General Revenues			
Property Taxes	390,532	924,069	(533,537)
Municipal Income Taxes	31,470,365	30,809,785	660,580
Hotel/Motel Taxes	1,368,052	1,438,252	(70,200)
Amusement Taxes	16,345	55,777	(39,432)
Grant and Entitlements Not Restricted to Specific Programs	354,005	192,221	161,784
Investment Income	104,063	68,228	35,835
Payments in Lieu of Taxes	528,917	1,577,104	(1,048,187)
Miscellaneous	1,107,641	475,751	631,890
<i>Total General Revenues</i>	<u>35,339,920</u>	<u>35,541,187</u>	<u>(201,267)</u>
<i>Total Revenues</i>	<u>\$40,750,086</u>	<u>\$38,419,173</u>	<u>\$2,330,913</u>

City of Independence, Ohio
Management's Discussion and Analysis
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Table 2
Changes in Net Position (continued)

	2017	2016	Change
Program Expenses			
General Government	\$12,449,390	\$9,239,305	(\$3,210,085)
Security of Persons and Property	10,502,201	10,377,823	(124,378)
Public Health and Welfare	68,850	58,324	(10,526)
Leisure Time Activities	4,138,515	3,798,602	(339,913)
Community Environment	4,052,023	3,542,366	(509,657)
Basic Utility Services	1,116,697	477,590	(639,107)
Transportation	3,662,443	3,832,243	169,800
Interest and Fiscal Charges	658,360	608,434	(49,926)
<i>Total Expenses</i>	<u>36,648,479</u>	<u>31,934,687</u>	<u>(4,713,792)</u>
<i>Increase in Net Position</i>	4,101,607	6,484,486	(2,382,879)
<i>Net Position Beginning of Year</i>	<u>91,480,458</u>	<u>84,995,972</u>	<u>6,484,486</u>
<i>Net Position End of Year</i>	<u><u>\$95,582,065</u></u>	<u><u>\$91,480,458</u></u>	<u><u>\$4,101,607</u></u>

Governmental Activities

Several revenue sources fund our governmental activities with income tax revenue being the largest source. The City levies a municipal income tax of 2 percent on all income earned within the City as well as on income of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent, up to 2 percent, on the income earned outside of the City and paid to another municipality.

The City's strong commercial employment tax base has provided for a consistent level of withholding tax collections. This strong base has enabled the City to enjoy increased collections during economically strong periods, while at the same time maintaining fairly level collections during economic downturns. The City's income tax base remains diversified in that the City is not reliant upon one taxpayer. This helps in giving the City stability in its budgeting process, knowing that the City's revenue stream will not be significantly affected by the loss of a major employer.

For 2017, the City had increases in operating grants and contributions offset by decreases in property taxes and payments in lieu of taxes. The increase in operating grants and contributions is due to increased intergovernmental grant monies received to fund the high intensity drug trafficking area program. The reduction in property taxes and payments in lieu of taxes is due to a reduction in outstanding tax delinquencies as reported by the County. The increase in miscellaneous revenues is due to monies received from a legal settlement regarding defective engineering.

The City carefully invests its cash and cash equivalents in a variety of investment types with the primary focus being safety of principal, but with an attention to investment opportunities to increase yield. The City pays close attention to daily interest rates and long-term financial trends. 2017's interest revenue was \$104,063.

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In an effort to curb the rising costs of health care, the City established a City-wide Joint Medical/Hospitalization Committee. The Committee is composed of one representative from each of the City's bargaining units, four non-bargaining representatives from other City departments, and one representative from Council. The goal of the Committee is to promote cost containment and minimize contributions by employees. The City has also teamed up with the Cleveland Clinic in starting a wellness initiative for City employees.

Management continues to diligently plan expenses, staying carefully within the City's revenues. The City actively seeks grants in order to maintain and improve the services the City residents expect while still controlling expenses. The City is ever cognizant of needs versus wants.

The following schedule presents a summary of governmental activities expenses and the net cost of providing these services (excluding general revenues).

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
General Government	\$12,449,390	\$9,239,305	\$9,767,497	\$8,848,561
Security of Persons and Property	10,502,201	10,377,823	9,719,248	9,566,051
Public Health and Welfare	68,850	58,324	44,315	31,790
Leisure Time Activities	4,138,515	3,798,602	3,472,879	3,102,290
Community Environment	4,052,023	3,542,366	3,792,186	3,305,795
Basic Utility Services	1,116,697	477,590	1,049,818	448,273
Transportation	3,662,443	3,832,243	2,734,010	3,145,507
Interest and Fiscal Charges	658,360	608,434	658,360	608,434
Total Expenses	\$36,648,479	\$31,934,687	\$31,238,313	\$29,056,701

The City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of 2017, the City's governmental funds reported a positive combined ending fund balance. Unassigned fund balance is available for appropriation at the City's discretion within certain legal constraints and purpose restrictions within the City's general fund. The remainder of the fund balance is either nonspendable, restricted, committed or assigned to indicate that it is not available for future spending.

The increase in the general fund balance is primarily a result of an increase in income taxes. The increase in income tax revenues is a direct result of the incentives the City offers to businesses to relocate, stay and expand within the City. Although the City did see an increase in expenditures, revenues continued to exceed expenditures. The City continues to put a premium on City services without reducing the City's workforce. In order to keep this premium on jobs, the City has cut back on overtime and asked employees to do more with less while not compromising services. The City's dedicated public servants strive to keep the City of Independence among the finest in Northeast Ohio.

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The quadrant tax increment financing (TIF) debt service fund continues to collect service payments and make annual debt payments on the bonds. The negative balance reflected in the quadrant TIF fund is a result of interfund borrowing and short-term notes payable to temporarily provide funding.

The capital improvements capital projects fund had a decrease in fund balance due to the amount spent on capital improvements and debt repayment outpacing transfers from the general fund and intergovernmental revenues.

The street resurfacing capital projects fund had an increase in fund balance due to the transfers from the general fund outpacing the increase in the amount spent on infrastructure improvements.

Other governmental funds had an increase in fund balance. The City continues to seek out and utilize grant monies. Revenues were higher than the prior year mainly due to an increase in intergovernmental revenue. Expenditures increased over the prior year mainly due to an increase in general government expenditures in the high intensity drug trafficking area fund.

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. The legal level of budgetary control for the City is at the department and object level for the general fund. Any budgetary modifications at this level may only be made by ordinance of City Council. City policy permits fund transfers within control levels with the approval of the Director of Finance. During the course of 2017, the City amended its general fund budget several times. In addition to day-to-day budget monitoring, the Director of Finance closely examines the budget with the preparation of the monthly financial statements and quarterly budget analysis reports.

Actual revenues received were higher than certification, due to lower estimates in several categories, mainly income taxes revenue. Actual expenditures were less than appropriations due mainly to the diligence of management to keep costs low. City Council has taken a proactive stance on budgeting by requiring that permanent appropriations be submitted and approved prior to the start of the year. This enables the administration to better plan for the upcoming year.

Capital Assets and Debt Administration

Capital Assets

Each year the Mayor, Director of Finance, Council, and Service Director review the condition of the City's infrastructure and determine what work needs to be completed. The projects are then prioritized and submitted to Council. During the budget process, the Mayor, Director of Finance, and Council determine which projects will be budgeted for the following year.

The City continues to work through their five-year capital asset replacement plan.

In 2017, the City purchased equipment and vehicles for the City's various departments and also made improvements to Serio and Oval Drive, Rockside Road, and Great Oaks Parkway. The City made improvements to the Rockside Woods sanitary sewers. See Note 10 to the basic financial statements for more information regarding the City's capital assets. Table 4 compares capital assets as of December 31, 2017, to balances at December 31, 2016.

City of Independence, Ohio
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Table 4
Capital Assets at December 31,
(Net of Depreciation)

	2017	2016
Land	\$20,212,149	\$20,420,173
Construction in Progress	2,666,605	5,392,619
Buildings and Improvements	24,923,603	25,512,953
Land Improvements	218,055	0
Machinery and Equipment	1,813,543	1,746,704
Furniture and Fixtures	110,914	120,363
Vehicles	3,725,524	3,234,518
Infrastructure	56,226,639	49,824,453
<i>Total</i>	<u>\$109,897,032</u>	<u>\$106,251,783</u>

Long-Term Obligations

Table 5 summarizes outstanding long-term obligations at December 31, 2017, compared to December 31, 2016.

Table 5
Outstanding Long Term Obligations at December 31,

	2017	2016
General Obligation Bonds	\$15,274,188	\$16,972,574
OPWC Loans	4,014,974	4,234,432
Various Improvement Notes	0	5,717,998
Net Pension Liability	27,386,539	24,322,478
Compensated Absences	776,750	765,189
<i>Total</i>	<u>\$47,452,451</u>	<u>\$52,012,671</u>

The City's overall legal debt limit is \$47,123,245. The amount of debt subject to the debt limit was \$22,860,000, leaving an overall debt margin of \$24,263,245. The legal debt margin is determined by multiplying the total assessed value of taxable real property in the City by 10.50 percent minus non-exempted debt outstanding.

The City continues to monitor its outstanding long-term obligations and is committed to reducing its overall long-term obligations on an annual basis. Information relative to long-term obligations is identified in Note 16 to the basic financial statements.

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Current Financial Related Activities

The City has continued to maintain the highest standards of services to our residents while diligently planning expenses, to stay within the City's revenues. During 2017, City Council closely monitored revenues and expenditures to preserve the integrity of the general fund's unencumbered cash balance. As with all cities in the State of Ohio, State funding issues are constantly monitored to determine the impact on the City. The City's management team remains mindful of keeping an eye out for ways to become more efficient and better stewards of our taxpayers' money. Major entities in Northeast Ohio still regard the City of Independence as one of the top places to relocate or expand their businesses. All of the City's financial abilities will be needed to meet the challenges of the future.

In conclusion, the City of Independence is in a period posing both significant challenges and opportunities. Management is committed to working with all stakeholders to craft solutions that will most effectively use the available resources to continue to provide excellent services to the residents of the City.

Contacting the City's Finance Department

This financial report is designed to provide 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 John M. Veres, CPA, CPFA, Finance Director at the City of Independence, 6800 Brecksville Road, Independence, Ohio 44131, 216-524-4131, or email at Veresj@independenceohio.org.

Basic Financial Statements

City of Independence, Ohio

Statement of Net Position

December 31, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$31,088,538
Cash and Cash Equivalents in Segregated Accounts	44,080
Accounts Receivable	92,219
Hotel/Motel Taxes Receivable	95,259
Amusement Taxes Receivable	4,884
Intergovernmental Receivable	380,465
Prepaid Items	165,644
Municipal Income Taxes Receivable	7,184,649
Property Taxes Receivable	962,135
Accrued Interest Receivable	15,555
Special Assessments Receivable	300,587
Payments in Lieu of Taxes Receivable	1,506,318
Nondepreciable Capital Assets	22,878,754
Depreciable Capital Assets, Net	87,018,278
<i>Total Assets</i>	<u>151,737,365</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	397,237
Pension	7,787,893
<i>Total Deferred Outflows of Resources</i>	<u>8,185,130</u>
Liabilities	
Accounts Payable	336,496
Accrued Wages	549,971
Contracts Payable	557,088
Intergovernmental Payable	310,159
Accrued Interest Payable	60,678
Retainage Payable	289,467
Notes Payable	12,215,822
Long-Term Liabilities:	
Due Within One Year	2,219,165
Due in More Than One Year	
Net Pension Liability (See Note 11)	27,386,539
Other Amounts Due in More than One Year	17,846,747
<i>Total Liabilities</i>	<u>61,772,132</u>
Deferred Inflows of Resources	
Property Taxes	925,137
Payments in Lieu of Taxes	1,431,139
Pension	212,022
<i>Total Deferred Inflows of Resources</i>	<u>2,568,298</u>
Net Position	
Net Investment in Capital Assets	78,544,131
Restricted for:	
Capital Projects	12,649,662
Debt Service	7,805
State Highway	174,035
Street Construction, Maintenance and Repair	846,051
Police Pension	681,144
Other Purposes	282,001
Unrestricted	2,397,236
<i>Total Net Position</i>	<u>\$95,582,065</u>

See accompanying notes to the basic financial statements

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

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Assessments	Revenue and Changes in Net Position
Governmental Activities:					Governmental Activities
General Government	\$12,449,390	\$422,384	\$2,259,509	\$0	(\$9,767,497)
Security of Persons and Property	10,502,201	685,495	97,458	0	(9,719,248)
Public Health and Welfare	68,850	24,535	0	0	(44,315)
Leisure Time Activities	4,138,515	665,636	0	0	(3,472,879)
Community Environment	4,052,023	259,837	0	0	(3,792,186)
Basic Utility Services	1,116,697	66,879	0	0	(1,049,818)
Transportation	3,662,443	49,462	526,270	352,701	(2,734,010)
Interest and Fiscal Charges	658,360	0	0	0	(658,360)
<i>Totals</i>	<u>\$36,648,479</u>	<u>\$2,174,228</u>	<u>\$2,883,237</u>	<u>\$352,701</u>	<u>(31,238,313)</u>
General Revenues					
Property Taxes Levied for:					
					337,278
					53,254
					31,470,365
					1,368,052
					16,345
					354,005
					104,063
					528,917
					1,107,641
					<u>35,339,920</u>
					4,101,607
					<u>91,480,458</u>
					<u>\$95,582,065</u>

See accompanying notes to the basic financial statements

City of Independence, Ohio

Balance Sheet

Governmental Funds

December 31, 2017

	General	Quadrant Tax Increment Financing	Capital Improvements	Street Resurfacing	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$11,245,383	\$3,647,624	\$3,610,315	\$6,972,027	\$3,835,772	\$29,311,121
Cash and Cash Equivalents						
In Segregated Accounts	44,080	0	0	0	0	44,080
Accounts Receivable	68,164	22,942	0	0	1,113	92,219
Hotel/Motel Taxes Receivable	95,259	0	0	0	0	95,259
Amusement Taxes Receivable	4,884	0	0	0	0	4,884
Interfund Receivable	18,153,500	0	930,000	0	0	19,083,500
Intergovernmental Receivable	88,676	17,790	0	0	273,999	380,465
Prepaid Items	155,863	0	1,844	0	310	158,017
Accrued Interest Receivable	15,088	0	0	0	467	15,555
Special Assessments Receivable	0	0	0	0	300,587	300,587
Payments in Lieu of Taxes Receivable	0	1,506,318	0	0	0	1,506,318
Property Taxes Receivable	830,934	0	0	0	131,201	962,135
Municipal Income Taxes Receivable	7,184,649	0	0	0	0	7,184,649
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	661	0	0	0	0	661
<i>Total Assets</i>	<u>\$37,887,141</u>	<u>\$5,194,674</u>	<u>\$4,542,159</u>	<u>\$6,972,027</u>	<u>\$4,543,449</u>	<u>\$59,139,450</u>
Liabilities						
Accounts Payable	\$197,528	\$0	\$20,521	\$1,272	\$110,820	\$330,141
Accrued Wages	486,736	0	0	0	63,235	549,971
Contracts Payable	7,855	84,714	141,337	192,748	130,434	557,088
Intergovernmental Payable	176,359	0	0	973	132,827	310,159
Retainage Payable	0	134,326	0	147,141	8,000	289,467
Accrued Interest Payable	0	17,551	0	0	0	17,551
Notes Payable	0	12,215,822	0	0	0	12,215,822
Interfund Payable	0	19,083,500	0	0	0	19,083,500
<i>Total Liabilities</i>	<u>868,478</u>	<u>31,535,913</u>	<u>161,858</u>	<u>342,134</u>	<u>445,316</u>	<u>33,353,699</u>
Deferred Inflows of Resources						
Property Taxes	798,981	0	0	0	126,156	925,137
Payments in Lieu of Taxes	0	1,431,139	0	0	0	1,431,139
Unavailable Revenue	4,615,417	75,179	0	0	522,621	5,213,217
<i>Total Deferred Inflows of Resources</i>	<u>5,414,398</u>	<u>1,506,318</u>	<u>0</u>	<u>0</u>	<u>648,777</u>	<u>7,569,493</u>
Fund Balances						
Nonspendable	18,310,024	0	1,844	0	310	18,312,178
Restricted	0	0	4,378,457	6,629,893	2,992,077	14,000,427
Committed	0	0	0	0	533,145	533,145
Assigned	2,475,871	0	0	0	0	2,475,871
Unassigned (Deficit)	10,818,370	(27,847,557)	0	0	(76,176)	(17,105,363)
<i>Total Fund Balances (Deficit)</i>	<u>31,604,265</u>	<u>(27,847,557)</u>	<u>4,380,301</u>	<u>6,629,893</u>	<u>3,449,356</u>	<u>18,216,258</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$37,887,141</u>	<u>\$5,194,674</u>	<u>\$4,542,159</u>	<u>\$6,972,027</u>	<u>\$4,543,449</u>	<u>\$59,139,450</u>

See accompanying notes to the basic financial statements

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

Total Governmental Funds Balances	\$18,216,258
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*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.	109,897,032
---	-------------

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

Delinquent Property Taxes	36,998
Municipal Income Taxes	4,510,267
Intergovernmental	290,186
Delinquent Payments in Lieu of Taxes	75,179
Special Assessments	<u>300,587</u>

Total	5,213,217
-------	-----------

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

Net Pension Liability	(27,386,539)
Deferred Outflows - Pension	7,787,893
Deferred Inflows - Pension	<u>(212,022)</u>

Total	(19,810,668)
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In the statement of net position, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(43,127)
--	----------

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	1,778,028
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Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position.	397,237
---	---------

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

General Obligation Bonds	(15,274,188)
OPWC Loan	(4,014,974)
Compensated Absences	<u>(776,750)</u>

Total	<u>(20,065,912)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$95,582,065</u></u>
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See accompanying notes to the basic financial statements

City of Independence, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Quadrant Tax Increment Financing	Capital Improvements	Street Resurfacing	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$742,923	\$0	\$0	\$0	\$117,303	\$860,226
Municipal Income Taxes	31,198,800	0	0	0	0	31,198,800
Hotel/Motel Taxes	1,368,052	0	0	0	0	1,368,052
Amusement Taxes	16,345	0	0	0	0	16,345
Intergovernmental	366,564	152,082	200,000	0	2,868,062	3,586,708
Investment Income	50,753	0	0	26,592	2,515	79,860
Fees, Licenses and Permits	368,947	0	0	0	433,242	802,189
Fines and Forfeitures	325,399	0	0	0	99,122	424,521
Charges for Services	687,710	0	0	0	24,535	712,245
Rentals	224,054	0	11,219	0	0	235,273
Special Assessments	0	0	0	0	33,086	33,086
Payments in Lieu of Taxes	0	1,431,139	0	0	0	1,431,139
Miscellaneous	551,724	455,443	1,087	0	93,323	1,101,577
<i>Total Revenues</i>	<u>35,901,271</u>	<u>2,038,664</u>	<u>212,306</u>	<u>26,592</u>	<u>3,671,188</u>	<u>41,850,021</u>
Expenditures						
Current:						
General Government	5,544,186	0	0	0	2,402,006	7,946,192
Security of Persons and Property	8,351,028	0	0	0	820,655	9,171,683
Public Health and Welfare	0	0	0	0	58,523	58,523
Leisure Time Activities	3,054,964	0	0	0	566,067	3,621,031
Community Environment	3,611,465	0	0	0	0	3,611,465
Basic Utility Services	906,884	0	0	0	0	906,884
Transportation	683,171	0	0	0	1,100,368	1,783,539
Capital Outlay	0	5,316,975	2,108,088	1,709,894	660,606	9,795,563
Debt Service:						
Principal Retirement	0	828,356	957,161	0	53,941	1,839,458
Refunded Notes Redeemed	0	5,700,000	0	0	0	5,700,000
Interest and Fiscal Charges	0	569,752	222,582	0	10,434	802,768
Debt Issuance Costs	0	86,901	0	0	0	86,901
<i>Total Expenditures</i>	<u>22,151,698</u>	<u>12,501,984</u>	<u>3,287,831</u>	<u>1,709,894</u>	<u>5,672,600</u>	<u>45,324,007</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>13,749,573</u>	<u>(10,463,320)</u>	<u>(3,075,525)</u>	<u>(1,683,302)</u>	<u>(2,001,412)</u>	<u>(3,473,986)</u>
Other Financing Sources (Uses)						
Transfers In	0	0	2,700,000	4,450,000	2,364,900	9,514,900
Transfers Out	(9,789,900)	0	0	0	0	(9,789,900)
<i>Total Other Financing Sources (Uses)</i>	<u>(9,789,900)</u>	<u>0</u>	<u>2,700,000</u>	<u>4,450,000</u>	<u>2,364,900</u>	<u>(275,000)</u>
<i>Net Change in Fund Balances</i>	3,959,673	(10,463,320)	(375,525)	2,766,698	363,488	(3,748,986)
Fund Balances (Deficit)						
<i>Beginning of Year</i>	<u>27,644,592</u>	<u>(17,384,237)</u>	<u>4,755,826</u>	<u>3,863,195</u>	<u>3,085,868</u>	<u>21,965,244</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$31,604,265</u>	<u>(\$27,847,557)</u>	<u>\$4,380,301</u>	<u>\$6,629,893</u>	<u>\$3,449,356</u>	<u>\$18,216,258</u>

See accompanying notes to the basic financial statements

City of Independence, 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 (\$3,748,986)

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 costs 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	8,141,477	
Depreciation	(4,184,421)	
Total		3,957,056

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (311,807)

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

Delinquent Property Taxes	(469,694)	
Municipal Income Taxes	271,565	
Intergovernmental	2,616	
Payments in Lieu of Taxes	(902,222)	
Special Assessments	(32,467)	
Total		(1,130,202)

In the statement of activities, interest is accrued on outstanding bonds, and bond premiums and the deferred charge on refunding are amortized over the term of the bonds, whereas in governmental funds, an expenditure is reported when bonds are issued:

Accrued Interest	86,100	
Amortization of Deferred Charge on Refunding	(38,076)	
Amortization of Bond Premium	96,384	
Total		144,408

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds: (11,561)

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

Payment on General Obligation Bonds	1,620,000	
Payment on OPWC Loans	219,458	
Payment on Notes	5,700,000	
Total		7,539,458

The internal service fund used to charge costs of insurance to individual funds is not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 181,037

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 2,006,871

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (4,524,667)

Change in Net Position of Governmental Activities \$4,101,607

See accompanying notes to the basic financial statements

City of Independence, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$721,350	\$730,498	\$742,923	\$12,425
Municipal Income Taxes	29,983,048	30,330,122	30,801,501	471,379
Hotel/Motel Taxes	1,314,430	1,329,645	1,350,310	20,665
Amusement Taxes	18,686	18,902	19,196	294
Intergovernmental	355,225	358,539	363,040	4,501
Investment Income	54,459	55,090	55,946	856
Fees, Licenses and Permits	359,143	363,301	368,947	5,646
Fines and Forfeitures	328,160	331,959	337,118	5,159
Charges for Services	663,788	671,472	681,908	10,436
Rentals	217,491	220,009	223,428	3,419
Miscellaneous	433,249	438,263	445,074	6,811
<i>Total Revenues</i>	<i>34,449,029</i>	<i>34,847,800</i>	<i>35,389,391</i>	<i>541,591</i>
Expenditures				
Current:				
General Government	6,970,188	6,668,688	6,019,572	649,116
Security of Persons and Property	8,525,888	8,533,888	8,378,884	155,004
Leisure Time Activities	3,371,653	3,297,153	3,122,164	174,989
Community Environment	3,726,269	3,636,269	3,227,800	408,469
Basic Utility Services	941,820	956,820	910,895	45,925
Transportation	844,963	820,463	730,845	89,618
<i>Total Expenditures</i>	<i>24,380,781</i>	<i>23,913,281</i>	<i>22,390,160</i>	<i>1,523,121</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>10,068,248</i>	<i>10,934,519</i>	<i>12,999,231</i>	<i>2,064,712</i>
Other Financing Sources (Uses)				
Advances In	599,000	599,000	599,000	0
Advances Out	(1,890,000)	(1,933,000)	(1,933,000)	0
Transfers Out	(10,226,100)	(10,489,900)	(10,489,900)	0
<i>Total Other Financing Sources (Uses)</i>	<i>(11,517,100)</i>	<i>(11,823,900)</i>	<i>(11,823,900)</i>	<i>0</i>
<i>Net Change in Fund Balance</i>	<i>(1,448,852)</i>	<i>(889,381)</i>	<i>1,175,331</i>	<i>2,064,712</i>
<i>Fund Balance Beginning of Year</i>	<i>6,381,281</i>	<i>6,381,281</i>	<i>6,381,281</i>	<i>0</i>
Prior Year Encumbrances Appropriated	1,055,081	1,055,081	1,055,081	0
<i>Fund Balance End of Year</i>	<i>\$5,987,510</i>	<i>\$6,546,981</i>	<i>\$8,611,693</i>	<i>\$2,064,712</i>

See accompanying notes to the basic financial statements

City of Independence, Ohio
Statement of Fund Net Position
Internal Service Fund
December 31, 2017

	<u>Insurance</u>
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$1,776,756
Prepaid Items	<u>7,627</u>
<i>Total Assets</i>	<u>1,784,383</u>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	<u>6,355</u>
Net Position	
Unrestricted	<u><u>\$1,778,028</u></u>

See accompanying notes to the basic financial statements

City of Independence, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Year Ended December 31, 2017*

	Insurance
Operating Revenues	
Other	\$6,064
Operating Expenses	
Contractual Services	43,507
Claims	80,723
<i>Total Operating Expenses</i>	124,230
<i>Operating Income (Loss)</i>	(118,166)
Nonoperating Revenues (Expenses)	
Investment Income	24,203
<i>Income (Loss) before Transfers</i>	(93,963)
Transfer In	275,000
<i>Change in Net Position</i>	181,037
<i>Net Position Beginning of Year</i>	1,596,991
<i>Net Position End of Year</i>	\$1,778,028

See accompanying notes to the basic financial statements

City of Independence, Ohio
Statement of Cash Flows
Internal Service Fund
For the Year Ended December 31, 2017

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Other Services	\$6,064
Cash Payments for Services	(50,798)
Cash Payments for Claims	(80,723)
	(125,457)
<i>Net Cash Provided by (Used for) Operating Activities</i>	
Cash Flows from Noncapital Financing Activities	
Interfund Loan	555,000
Transfer In	275,000
	830,000
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	
Cash Flows from Investing Activities	
Interest on Investments	24,203
	728,746
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	
<i>Cash and Cash Equivalents Beginning of Year</i>	1,048,010
<i>Cash and Cash Equivalents End of Year</i>	\$1,776,756
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
<i>Operating Income (Loss)</i>	(\$118,166)
Adjustments:	
Increase (Decrease) in Liabilities:	
Accounts Payable	(5,299)
Contracts Payable	(1,992)
	(\$125,457)
<i>Net Cash Provided by (Used for) Operating Activities</i>	

See accompanying notes to the basic financial statements

City of Independence, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2017

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$497,486</u></u>
Liabilities	
Deposits Held and Due to Others	<u><u>\$497,486</u></u>

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

The City of Independence is a home-rule municipal corporation formed under the laws of the State of Ohio. The City operates under its own Charter made effective November 4, 1958. The Charter, as amended, provides for a Council-Mayor form of government.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes, performs the judicial functions of the City and presides at Council meetings. As the chief conservator of the peace, he/she oversees the enforcement of all laws and ordinances. He/she also appoints all department heads and executes all contracts, conveyances and evidences of indebtedness of the City.

Legislative authority is vested in a seven-member council with all seven members elected at-large for a term of two years. Council enacts ordinances and resolutions relating to tax levies, appropriates and borrows money, and accepts bids for materials and services and other municipal purposes.

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. For the City of Independence this includes the departments and agencies that provide the following services: police and fire protection, emergency medical services, parks, recreation, a cemetery, street maintenance and Mayor's court.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the primary government. The reporting entity of the City does not include any component units.

The City participates in two jointly governed organizations, the Southwest Council of Governments and the Northeast Ohio Public Energy Council. These organizations are presented in Note 14 of the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation. The statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

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

Fund Financial Statements During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. 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 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 and reports all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter of the City of Independence and/or the general laws of Ohio.

Quadrant Tax Increment Financing Fund The quadrant tax increment financing debt service fund accounts for and reports all restricted tax increment financing (TIF) activities. Each tax increment financing activity is created to provide additional revenue for the City to help pay for qualified infrastructure improvements in or near each TIF district. The additional revenue represents payments in lieu of taxes that would have gone to the County or School District, but because of the TIF, it now goes to the City to pay principal and interest on TIF bonds and to help pay for the infrastructure improvements in whole or in part.

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

Capital Improvements Fund The capital improvements fund accounts for and reports restricted general obligation bond proceeds for departmental capital improvements.

Street Resurfacing Fund The street resurfacing fund accounts for and reports restricted debt proceeds and grant monies for infrastructure improvements made within the City.

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no enterprise funds. The following is a description of the City's internal service fund.

Internal Service Fund The internal service fund accounts for and reports the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The internal service fund reports on the activity of the self-insured general liability program of the City.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City only utilizes the agency fund type. The agency fund accounts for and reports deposits from various contractors, developers or individuals to ensure compliance with various City ordinances.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are presented using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is 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 this fund are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its internal service fund.

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

Basis of Accounting

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

Revenues – Exchange and Nonexchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within 31 days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). 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 the modified accrual basis, revenue from nonexchange 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, hotel/motel tax, State-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fees, fines and forfeitures, interest, grants and entitlements.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferred charge on refunding and pension reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in 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, payments in lieu of taxes, pension and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as 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, income taxes, delinquent payments in lieu of taxes, special assessments, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are

City of Independence, Ohio
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For the Year Ended December 31, 2017

identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net pension (See Note 11).

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.

Pensions

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

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the department and object level within the general fund and the street construction, maintenance and repair special revenue fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by ordinance of Council. Authority to further allocate Council appropriations within departments has been given to the Finance Director for all funds except for the general fund and the street construction, maintenance and repair special revenue fund.

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

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.

Cash and Cash Equivalents

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

City of Independence, Ohio
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The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts" and represents deposits.

During 2017, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), negotiable certificates of deposit, federal home loan mortgage corporation bonds and federal home loan bank bonds. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows the governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Except for nonparticipating investment contracts investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit and repurchase agreements, 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 \$50,753, which includes \$30,714 assigned from other City funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies.

Capital Assets

The City's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be

City of Independence, Ohio
Notes to the Basic Financial Statements
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capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$1,000 with the exception of land, as land was listed regardless of cost. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	50 Years
Land Improvements	20-30 Years
Machinery and Equipment	10 Years
Furniture and Fixtures	20 Years
Vehicles	8-20 Years
Infrastructure	20-100 Years

The City's infrastructure consists of roadways, water lines, sanitary sewers and storm sewers and includes infrastructure acquired prior to December 31, 1980.

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund loans which do not represent available expendable resources are classified as nonspendable fund balances. Interfund balance amounts are eliminated in the statement of net position.

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. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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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 the internal service fund are reported on the internal service 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, compensated absences and net pension liability 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 and long-term loans are recognized as a liability on the governmental fund financial statements when due.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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 interfund loans receivable, unless the use of the proceeds from the collection of those receivables 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 or enabling legislation (City ordinances).

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the

City of Independence, Ohio
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general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance for compensated absences, for economic development and to cover a gap between estimated revenues and appropriations in 2018's budget. All remaining assigned amounts in the general fund were established by City Council.

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 fund balance.

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.

Net Position

Net position represents the difference between all other elements in the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include law enforcement, mayor's court computer, drug enforcement and education, and unclaimed funds.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is 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 services for self-insurance programs. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definition of operating are reported as nonoperating.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) of refunding bonds and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method. The straight-line method of amortization is not materially different from the effective-interest method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are receipted in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

City of Independence, Ohio
Notes to the Basic Financial Statements
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Interfund Activity

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

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 – Fund Balances

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

Fund Balances	General	Quadrant Tax Increment Financing	Capital Improvements	Street Resurfacing	Other Governmental Funds	Total
<i>Nonspendable</i>						
Prepays	\$155,863	\$0	\$1,844	\$0	\$310	\$158,017
Interfund Loans	18,153,500	0	0	0	0	18,153,500
Unclaimed Funds	661	0	0	0	0	661
<i>Total Nonspendable</i>	18,310,024	0	1,844	0	310	18,312,178
<i>Restricted for</i>						
Road Improvements	0	0	0	0	921,536	921,536
Capital Improvements	0	0	4,378,457	6,629,893	1,171,909	12,180,259
Police Programs	0	0	0	0	114,435	114,435
Law Enforcement and Education	0	0	0	0	41,792	41,792
Mayor's Court Computer	0	0	0	0	20,817	20,817
Police Pension	0	0	0	0	670,656	670,656
Debt Service Payments	0	0	0	0	50,932	50,932
<i>Total Restricted</i>	0	0	4,378,457	6,629,893	2,992,077	14,000,427
<i>Committed to</i>						
Handicap Parking	0	0	0	0	26,728	26,728
Citizen-Focused Activities	0	0	0	0	77,008	77,008
City Upkeep	0	0	0	0	102,157	102,157
Recreation	0	0	0	0	327,252	327,252
<i>Total Committed</i>	\$0	\$0	\$0	\$0	\$533,145	\$533,145

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

Fund Balances	General	Quadrant Tax Increment Financing	Capital Improvements	Street Resurfacing	Other Governmental Funds	Total
<i>Assigned to</i>						
2018 Operations	\$935,488	\$0	\$0	\$0	\$0	\$935,488
Compensated Absences	683,281	0	0	0	0	683,281
Economic Development	265,213	0	0	0	0	265,213
<i>Purchases on Order</i>						
City Administration	340,067	0	0	0	0	340,067
Buildings and Land Maintenance	59,843	0	0	0	0	59,843
Engineering and Building Services	76,154	0	0	0	0	76,154
Fire Department	5,268	0	0	0	0	5,268
Police Department	22,450	0	0	0	0	22,450
Recreation	49,692	0	0	0	0	49,692
Economic Development	5,164	0	0	0	0	5,164
Transportation	14,957	0	0	0	0	14,957
Utility Services	18,294	0	0	0	0	18,294
<i>Total Assigned</i>	<u>2,475,871</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,475,871</u>
<i>Unassigned (Deficit)</i>	10,818,370	(27,847,557)	0	0	(76,176)	(17,105,363)
<i>Total Fund Balances (Deficit)</i>	<u>\$31,604,265</u>	<u>(\$27,847,557)</u>	<u>\$4,380,301</u>	<u>\$6,629,893</u>	<u>\$3,449,356</u>	<u>\$18,216,258</u>

The City has a general fund budget stabilization arrangement that does not meet the criteria to be classified as restricted or committed. Pursuant to Ohio Revised Code Section 5705.13, the City established a budget stabilization by ordinance to stabilize against cyclical changes in revenues. Additions are limited by State statute to five percent of the revenue credited in the preceding year to the general fund. These dollars will only be spent if there are significant reductions in revenue related to unexpected income tax refunds. The balance in the reserve at December 31, 2017, is \$1,000,000.

Note 4 – Fund Deficits

The fund deficit in the Quadrant Tax Increment Financing bond retirement fund of \$27,847,557 is due to notes payable and advances made for various tax increment financing projects. The fund deficit in the high intensity drug trafficking area special revenue fund of \$76,176 is due to an accrued liability. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

Note 5 – Budgetary Basis of Accounting

While reporting financial position, results of operations and changes in fund balance/net position on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

City of Independence, Ohio
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- b) Unrecorded cash represents amounts received but not included as revenue on the budget basis statements. These amounts are included as revenue on the GAAP basis operating statements.
- c) Investments are reported at cost (budget basis) rather than at fair value (GAAP basis).
- d) Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
- e) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- f) Budgetary revenues and expenditures of the compensated absences, rainy day and economic development funds are reclassified to the general fund for GAAP purposes.
- g) Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
	General
GAAP Basis	\$3,959,673
Net Adjustment for Revenue Accruals	294,168
Beginning Unrecorded Cash	(29,070)
Ending Unrecorded Cash	29,005
Beginning Fair Value Adjustment for Investments	(9,713)
Ending Fair Value Adjustment for Investments	30,059
Advances In	599,000
Advances Out	(1,933,000)
Net Adjustment for Expenditure Accruals	(878,035)
Perspective Differences:	
Compensated Absences Fund	11,049
Rainy Day Fund	(100,000)
Economic Development Fund	(89,308)
Encumbrances	(708,497)
Budget Basis	\$1,175,331

Note 6 – Deposits and Investments

The City has chosen to follow State statutes and classify monies held by the City into three categories.

Active deposits are public monies determined to be necessary to meet current demands upon 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.

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$22,906,806 of the City's bank balance of \$25,927,731 was exposed to custodial credit risk because those deposits were collateralized with securities held by the pledging institution's trust department, not in the City's name.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

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

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.

Investments

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

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Net Asset Value Per Share				
Star Ohio	\$28,390	52.1 days	AAAm	N/A
Fair Value - Level Two Inputs				
Negotiable Certificates of Deposit	4,343,301	695 days	N/A	68.29%
Federal Home Loan Mortgage Corporation Bonds	991,740	1,359 Days	AAAm	15.59
Federal Home Loan Bank Bonds	996,400	1,668 days	AAAm	15.67
Total Fair Value - Level Two Inputs	<u>6,331,441</u>			
Total	<u><u>\$6,359,831</u></u>			

City of Independence, Ohio
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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 above chart identifies the City's recurring fair value measurements as of December 31, 2017. STAR Ohio is measured at net asset value per share. The City's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within one year from the date of purchase and that the City's investment portfolio be structured so that the securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The Stated intent of the policy is to avoid the need to sell securities prior to maturity.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation Bonds, Federal Home Loan Bank Bonds and Certificates of Deposit are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the finance director or qualified trustee.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Federal Home Loan Mortgage Corporation Bonds and Federal Home Loan Bank Bonds carry a rating of AA+ by Standard and Poor's. The City has no investment policy that addresses credit risk.

Concentration of Credit Risk The City places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2017:

Investment Issuer	Percentage of Investments
Federal Home Loan Mortgage Corporation Bonds	15.59 %
Federal Home Loan Bank Bonds	15.67
Certificates of Deposit	68.29
Star Ohio	0.45

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

Note 7 – Receivables

Receivables at December 31, 2017, consisted primarily of payments in lieu of taxes, property taxes, municipal income taxes, accounts (billings for user charged services), special assessments, hotel/motel taxes and intergovernmental receivables arising from grants, entitlements and shared revenues.

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

Special assessments expected to be collected in more than one year amount to \$267,501. At December 31, 2017, there was \$619 in delinquent special assessments.

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 2016 taxes.

2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was \$2.20 per \$1,000 of assessed value. The assessed values of real property, public utility tangible property, and tangible personal property upon which 2017 property tax receipts were based are as follows:

Real Property:	
Residential/Agricultural	\$252,851,300
Other Real Estate	173,420,510
Public Utility Personal Property	22,521,000
	<hr/>
Total	<u><u>\$448,792,810</u></u>

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the City of Independence. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes and public utility property taxes which were measurable as of December 31, 2017, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2017 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

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

Income Tax

The City levies a municipal income tax of two percent on all wages, salaries, commissions and other compensation and net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first and tenth business days of the following month. In 2017, the proceeds were allocated entirely to the general fund.

Intergovernmental Receivable

A summary of the governmental activities principal items of intergovernmental receivables follows:

	<u>Amount</u>
Gasoline Excise Tax	\$165,293
Auto Registration	67,759
Local Government	46,364
Homestead and Rollback	39,915
Grants	26,334
State of Ohio	23,038
Permissive Tax	<u>11,762</u>
Total Intergovernmental Receivables	<u><u>\$380,465</u></u>

Payments in Lieu of Taxes

According to State law, the City has established several tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

Note 8 – Risk Management

Property and Liability

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2017, the City contracted with Traveler' Insurance Company for various types of insurance as follows:

City of Independence, Ohio
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For the Year Ended December 31, 2017

Type	Coverage	Deductible
Inland Marine		
Contractor's Equipment	\$962,533	\$1,000
Property	51,692,251	10,000
Employee Dishonesty	25,000	1,000
Forgery	25,000	1,000
Computer Fraud	25,000	1,000
Automobile under \$100,000	1,000,000	1,000
Automobile over \$100,000	1,000,000	2,500

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

The City accounts for activity of the self-insured general liability program for all lawsuits within the internal service fund. There were no outstanding claims at December 31, 2017. Changes in the fund's claims liability amount for 2016 and 2017 were:

	Beginning of Year	Year Claims	Payments	End of Year
2016	0	163,768	163,768	0
2017	0	80,723	80,723	0

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 9 – Contingencies

Grants

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

Litigation

The City is a party to legal proceedings. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City and that the City has adequate liability insurance coverage to protect itself against any material loss.

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

Note 10 – Capital Assets

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

	Balance 12/31/16	Additions	Reductions	Balance 12/31/17
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$20,420,173	\$0	(\$208,024)	\$20,212,149
Construction in Progress	5,392,619	6,065,364	(8,791,378)	2,666,605
<i>Total Nondepreciable Capital Assets</i>	<u>25,812,792</u>	<u>6,065,364</u>	<u>(8,999,402)</u>	<u>22,878,754</u>
Depreciable Capital Assets				
Buildings and Improvements	40,818,646	315,235	0	41,133,881
Land Improvements	0	264,851	0	264,851
Machinery and Equipment	6,459,434	470,981	(372,860)	6,557,555
Furniture and Fixtures	1,809,339	4,809	0	1,814,148
Vehicles	8,591,697	1,228,261	(396,804)	9,423,154
Infrastructure				
Roads	62,625,976	4,848,475	0	67,474,451
Water Lines	5,432,820	0	0	5,432,820
Sanitary Sewers	2,670,596	3,942,903	0	6,613,499
Storm Sewers	10,849,706	0	0	10,849,706
<i>Total Depreciable Capital Assets</i>	<u>139,258,214</u>	<u>11,075,515</u>	<u>(769,664)</u>	<u>149,564,065</u>
Buildings and Improvements	(15,305,693)	(904,585)	0	(16,210,278)
Land Improvements	0	(46,796)	0	(46,796)
Machinery and Equipment	(4,712,730)	(298,079)	266,797	(4,744,012)
Furniture and Fixtures	(1,688,976)	(14,258)	0	(1,703,234)
Vehicles	(5,357,179)	(531,511)	191,060	(5,697,630)
Infrastructure				
Roads	(25,138,709)	(2,055,974)	0	(27,194,683)
Water Lines	(1,370,401)	(54,329)	0	(1,424,730)
Sanitary Sewers	(848,139)	(61,895)	0	(910,034)
Storm Sewers	(4,397,396)	(216,994)	0	(4,614,390)
<i>Total Accumulated Depreciation</i>	<u>(58,819,223)</u>	<u>(4,184,421) *</u>	<u>457,857</u>	<u>(62,545,787)</u>
Total Depreciable Capital Assets, Net	<u>80,438,991</u>	<u>6,891,094</u>	<u>(311,807)</u>	<u>87,018,278</u>
Governmental Activities Capital Assets, Net	<u>\$106,251,783</u>	<u>\$12,956,458</u>	<u>(\$9,311,209)</u>	<u>\$109,897,032</u>

*Depreciation expense was charged to governmental activities as follows:

General Government	\$3,689,063
Security of Persons and Property	238,036
Leisure Time Activities	39,881
Community Environment	47,352
Basic Utility Services	6,853
Transportation	163,236
Total	<u>\$4,184,421</u>

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

Note 11 – Defined Benefit Pension Plan

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

Group A	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.

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

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

	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 \$973,259 for 2017. Of this amount, \$134,086 is reported as an intergovernmental payable.

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit. (See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits.)

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

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

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

	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 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,033,612 for 2017. Of this amount, \$122,640 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2017, 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:

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

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0572990%	0.2269520%	
Prior Measurement Date	<u>0.0584940%</u>	<u>0.2205880%</u>	
Change in Proportionate Share	<u>-0.0011950%</u>	<u>0.0063640%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$13,011,628	\$14,374,911	\$27,386,539
Pension Expense	\$2,720,451	\$1,804,216	\$4,524,667

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$17,636	\$4,067	\$21,703
Changes of assumptions	2,063,804	0	\$2,063,804
Net difference between projected and actual earnings on pension plan investments	1,937,731	1,397,897	3,335,628
Changes in proportion and differences between City contributions and proportionate share of contributions	11,359	348,528	359,887
City contributions subsequent to the measurement date	<u>973,259</u>	<u>1,033,612</u>	<u>2,006,871</u>
Total Deferred Outflows of Resources	<u>\$5,003,789</u>	<u>\$2,784,104</u>	<u>\$7,787,893</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$77,439	\$33,097	\$110,536
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>101,486</u>	<u>0</u>	<u>\$101,486</u>
Total Deferred Inflows of Resources	<u>\$178,925</u>	<u>\$33,097</u>	<u>\$212,022</u>

\$2,006,871 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

City of Independence, Ohio
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Year Ending December 31:	OPERS	OP&F	Total
2018	\$1,586,962	\$601,416	\$2,188,378
2019	1,636,787	601,416	2,238,203
2020	684,655	474,736	1,159,391
2021	(56,799)	(24,334)	(81,133)
2022	0	58,442	58,442
Thereafter	0	5,719	5,719
Total	<u>\$3,851,605</u>	<u>\$1,717,395</u>	<u>\$5,569,000</u>

Actuarial Assumptions - OPERS

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

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

	December 31, 2016	December 31, 2015
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on

City of Independence, Ohio
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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.

For 2015, mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2015. The prior experience study was completed for the five year period ended December 31, 2010.

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

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

City of Independence, Ohio
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For the Year Ended December 31, 2017

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$19,878,169	\$13,011,628	\$7,289,579

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:

City of Independence, Ohio
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For the Year Ended December 31, 2017

Valuation Date	January 1, 2016, with actuarial liabilities rolled forward to December 31, 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
	plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2016, are summarized below:

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

Note: Assumptions are geometric.

* levered 2x

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

City of Independence, Ohio
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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	\$19,145,679	\$14,374,911	\$10,331,622

Changes between 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, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

Note 12 - Postemployment 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.

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016 and 2015 was \$74,866, \$145,143 and \$142,602, respectively. For 2017, 87.21 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 Fire Pension Fund

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

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

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. 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. For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contribution to OP&F for the years ended December 31, 2017, 2016 and 2015 were \$1,058,486, \$1,015,778 and \$969,127, respectively, of which \$24,874, \$23,884 and \$22,811, respectively, was allocated to the healthcare plan. For 2017, 88.15 percent has been contributed for both police and firefighters with the balance being reported as an *intergovernmental payable*. The full amount has been contributed for 2016 and 2015.

Note 13 – Compensated Absences

Non-union employees earn five to twenty-five days of vacation per year, depending upon length of service. Employees, who are part of a bargaining unit, earn vacation as outlined in the bargaining union contract. Upon termination, employees are paid for accrued unused vacation and holidays. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement, a non-union employee can be paid a maximum of one fourth of 960 hours of accumulated, unused sick leave. Retiring employees, who are part of a bargaining unit, are paid unused sick leave as outlined in the bargaining unit contract.

City of Independence, Ohio
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Note 14 – Jointly Governed Organizations

Southwest Council of Governments

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions and regional development. The Board is composed of one member from each of the 19 participating entities. 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 City made contributions of \$18,000 during 2017.

The Council has established two subsidiary organizations, the SW Emergency Response Team (SERT) 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. The Council's financial statements may be obtained by contacting the Southwest Council of Governments, Berea, Ohio 44017.

Northeast Ohio Public Energy Council (NOPEC)

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently composed of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the nine-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2017. Financial information can be obtained by contacting Ron McVoy, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139 or at the website www.nopecinfo.org.

Note 15 – Shared Facilities Joint Operating Agreement

On July 30, 2002, the City entered into a contribution agreement for constructing, equipping and furnishing a new high school facility, community auditorium, community center and a community field house (shared facility) on property owned by the City and to be partially leased to the School District.

Under the terms of the contribution agreement, the City contributed \$13,000,000 to the School District, which is 38 percent of the cost of the shared facility project and includes the costs of constructing, equipping and furnishing the shared facility; the cost of constructing, equipping and furnishing related joint use areas; and the costs of related design and other professional services. The City also purchased some unused School District property for \$2,000,000. In 2003, the City issued \$15,000,000 in general obligation bonds to meet its obligations. These bonds were refunded in 2011 as a portion of the 2011 various purpose refunding bonds. The land, community center and community field house are owned by the City; the high school facility and community auditorium are owned by the School District.

City of Independence, Ohio
Notes to the Basic Financial Statements
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The City's contributions were payable based on the percent of project completion as determined by the School District. By the end of 2005, the total principal borrowed had been used for construction. The shared facility was completed in September of 2005.

The School District is responsible for maintaining liability insurance for activities in the shared facility with coverage limits not less than \$2,000,000 for bodily injury and property damage and \$1,000,000 for each occurrence. The City and School District are responsible for personal property insurance on the shared facility owned by them. The City and School District also have additional annual obligations for housekeeping, custodial, equipment, supply and utility costs.

Note 16 – Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
General Obligation Bonds			
2014 Northeast Quadrant TIF Refunding	1.00-4.00 %	4,305,000	December 1, 2030
2011 Various Purpose Refunding	1.75-5.00	16,935,000	December 1, 2028
Ohio Public Works Commission Loans			
2011 Pleasant Valley Intersection	0.00	225,000	January 1, 2032
2015 Pleasant Valley Widening	0.00	4,164,161	January 1, 2036
Long-Term Notes Payable			
2016 Selig Drive Improvements	2.00	2,100,000	April 14, 2017
2016 Pleasant Valley Quadrant Improvements	2.00	900,000	April 14, 2017
2016 Chestnut Woods III Improvements	2.00	600,000	April 14, 2017
2016 Northwest Quadrant Improvements	2.00	450,000	April 14, 2017
2016 Southwest Quadrant Improvements	2.00	1,650,000	April 14, 2017

The changes in long-term obligations during the year were as follows:

City of Independence, Ohio
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	Balance 12/31/16	Additions	Reductions	Balance 12/31/17	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
2014 Northeast Quadrant TIF Refunding					
Serial Bonds	\$3,980,000	\$0	(\$240,000)	\$3,740,000	\$240,000
Unamortized Premium	258,157	0	(18,440)	239,717	0
Total 2014 Northeast Quadrant TIF	4,238,157	0	(258,440)	3,979,717	240,000
2011 Various Purpose Refunding					
Serial Bonds	12,090,000	0	(1,380,000)	10,710,000	1,425,000
Unamortized Premium	644,417	0	(59,946)	584,471	0
Total 2011 Various Purpose Refunding	12,734,417	0	(1,439,946)	11,294,471	1,425,000
<i>Total General Obligation Bonds</i>	16,972,574	0	(1,698,386)	15,274,188	1,665,000
OPWC Loans					
2011 Pleasant Valley Intersection	174,375	0	(11,250)	163,125	11,250
2015 Pleasant Valley Widening	4,060,057	0	(208,208)	3,851,849	208,208
<i>Total OPWC Loans</i>	4,234,432	0	(219,458)	4,014,974	219,458
Notes Payable					
<i>Selig Drive Improvements</i>	2,100,000	0	(2,100,000)	0	0
Premium on Notes	6,991	0	(6,991)	0	0
<i>Pleasant Valley Quadrant Improvements</i>	900,000	0	(900,000)	0	0
Premium on Notes	2,677	0	(2,677)	0	0
<i>Chestnut Woods III Improvements</i>	600,000	0	(600,000)	0	0
Premium on Notes	2,082	0	(2,082)	0	0
<i>Northwest Quadrant Improvements</i>	450,000	0	(450,000)	0	0
Premium on Notes	1,339	0	(1,339)	0	0
<i>Southwest Quadrant Improvements</i>	1,650,000	0	(1,650,000)	0	0
Premium on Notes	4,909	0	(4,909)	0	0
<i>Total Notes Payable</i>	5,717,998	0	(5,717,998)	0	0
Other Long-term Obligations					
Net Pension Liability					
OPERS	10,131,898	2,879,730	0	13,011,628	0
OP&F	14,190,580	184,331	0	14,374,911	0
Total Net Pension Liability	24,322,478	3,064,061	0	27,386,539	0
Compensated Absences	765,189	267,299	(255,738)	776,750	334,707
<i>Total Other Long-term Obligations</i>	25,087,667	3,331,360	(255,738)	28,163,289	334,707
<i>Total General Long-term Obligations</i>	\$52,012,671	\$3,331,360	(\$7,891,580)	\$47,452,451	\$2,219,165

City of Independence, Ohio
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In 2011, the City issued general obligation bonds, in the amount of \$16,935,000, to refund bonds previously issued in fiscal year 2003 for various purposes. The bonds are being retired through the capital improvements and issue II capital projects funds and the quadrant tax increment financing debt service fund. Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2003 Various Purpose bonds. As of December 31, 2017, \$10,430,000 of the defeased bonds are still outstanding.

The various quadrant tax increment financing (TIF) bonds will be paid from the quadrant tax increment financing debt service fund with payments in lieu of taxes. A portion of these bonds were refunded in 2014. Bond anticipation notes that were rolled over prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported in the government-wide statements as long-term liabilities. The long-term notes were fully repaid in 2017. The OPWC loan will be paid from the Route 21 and Pleasant Valley capital projects fund.

In 2014, the City issued \$4,305,000 in general obligation bonds for the purpose of refunding a portion of the bonds previously issued in fiscal year 2005 for various quadrant tax increment financing purposes. The bonds were issued with interest rates varying from 1 to 4 percent. The bonds were issued for a sixteen year period with final maturity during 2030. The bonds will be retired through the quadrant tax increment financing debt service fund.

Net proceeds of \$4,503,365 (including a \$299,647 premium and after payment of \$101,282 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2005 Northeast Quadrant TIF bonds. As a result, \$4,220,000 of these bonds was considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As of December 31, 2017, \$3,810,000 of the defeased bonds are still outstanding.

Compensated absences will be paid from the general fund and the street construction, maintenance and repair special revenue fund. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the general fund and the street construction, maintenance and repair special revenue fund. For additional information related to the net pension liability, see Note 11.

The City's overall legal debt margin was \$24,263,245 at December 31, 2017. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2017, are as follows:

	General Obligation Bonds		OPWC Loan
	Principal	Interest	Principal
2018	\$1,665,000	\$513,925	\$219,458
2019	1,710,000	462,575	219,458
2020	1,780,000	396,625	219,458
2021	1,830,000	345,775	219,458
2022	1,925,000	262,075	219,458
2023-2027	3,965,000	706,950	1,097,290
2028-2032	1,575,000	104,800	1,091,665
2033-2036	0	0	728,729
Total	\$14,450,000	\$2,792,725	\$4,014,974

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

Note 17 – Notes Payable

Changes in the City’s note activity for the year ended December 31, 2017, were as follows:

Types / Issues	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017
Selig Drive Improvements	\$250,000	\$4,200,000	(\$2,350,000)	\$2,100,000
Premium on Notes	0	24,507	(13,130)	11,377
Chestnut Woods III Improvements	100,000	1,200,000	(700,000)	600,000
Premium on Notes	0	7,002	(3,752)	3,250
Southwest Quadrant Improvements	2,500,000	5,800,000	(4,150,000)	4,150,000
Premium on Notes	19,250	34,031	(30,798)	22,483
Pleasant Valley Quadrant Improvements	0	1,750,000	(900,000)	850,000
Premium on Notes	0	10,208	(5,603)	4,605
Northwest Quadrant Improvements	0	900,000	(450,000)	450,000
Premium on Notes	0	5,251	(2,814)	2,437
Northeast Quadrant Improvements	4,000,000	4,000,000	(4,000,000)	4,000,000
Premium on Notes	30,800	23,640	(32,770)	21,670
Total Short-Term Notes	\$6,900,050	\$17,954,639	(\$12,638,867)	\$12,215,822

All the notes are backed by the full faith and credit of the City of Independence and mature within one year. The maturity date for all outstanding notes is December 7, 2018. The note liability is reflected in the funds which received the proceeds. All note proceeds have been fully expended. The notes will be paid out of the quadrant tax increment financing debt service fund with payments in lieu of taxes.

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. There are limitations on the number of times a note can be renewed. All notes outstanding at year-end are bond anticipation notes. As the result, the \$12,215,822 liability outstanding at December 31, 2017, was presented as a fund liability in the financial statements.

Note 18 – Interfund Transactions

Interfund Balances

Interfund Payable	Interfund Receivable		Totals
	General	Capital Improvements	
Quadrant Tax Increment Financing	\$18,153,500	\$930,000	\$19,083,500

The interfund receivables and payables are advances for grant monies and payment in lieu of tax revenue that were not repaid by year end. The City advances grant monies in the event that the award was not received when expected. The City advances money to fund the various TIF projects. All interfund balances, except the balance of \$18,153,000, are expected to be repaid within one year.

City of Independence, Ohio
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Interfund Transfers

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

Transfer To	Transfer From General
Major Funds:	
Capital Improvements	\$2,700,000
Street Resurfacing	4,450,000
Total Major Funds	7,150,000
Other Governmental Funds:	
Street Construction, Maintenance and Repair	750,000
Twenty-Five and Alive	2,000
I Can	2,000
Recreation	200,000
Police Pension	550,000
Drain Water	549,400
Public Safety Equipment	300,000
Route 21 and Pleasant Valley	11,500
Total Other Governmental Funds	2,364,900
Internal Service	275,000
Total	\$9,789,900

The general fund transfer to the capital improvements capital projects fund was made to pay for capital acquisition costs and debt service requirements. The general fund transfer to the street resurfacing capital projects fund and street construction, maintenance and repair special revenue fund were made to pay for street improvement and maintenance costs. The general fund transfers to the twenty-five and alive, I can and recreation special revenue funds were to provide additional support for these various programs and services. The general fund transfer to the internal service fund was to provide resources for claims. The general fund transfer to the police pension special revenue fund was to pay the annual liability and payment to the police pension system not covered by property tax revenue. The general fund transfer to the drain water and route 21 and pleasant valley capital project funds to pay for capital improvements and debt service requirements. The general fund transfer to the public safety equipment capital projects fund was to move EMS revenue to be used for the purchase of public safety equipment.

Note 19 – Significant Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

City of Independence, Ohio
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For the Year Ended December 31, 2017

Governmental Funds:

General	\$708,497
Quadrant Tax Increment Financing	2,219,827
Capital Improvements	3,136,753
Street Resurfacing	5,540,706
Other Governmental Funds	1,385,406
<i>Total Governmental Funds</i>	<i>\$12,991,189</i>
Internal Service Fund	\$114,961
Agency Fund	\$11,477

Contractual Commitments

As of December 31, 2017, the City had the following contract balances for various construction projects:

Project	Original Contract	Amount Paid to Date	Remaining Amount
All-Purpose Trail	\$3,008,840	\$713,033	\$2,295,807
Lower Rockside Road Bridge Lighting	61,370	36,100	25,270
Rockside Road - IMS Study	182,858	131,444	51,414
Plaza Drive & Heritage Way	88,810	40,016	48,794
Hawthorne Trace & Hillside Road Intersection	160,478	94,911	65,567
Rockside Woods N. Blvd. - Engineering	40,000	13,591	26,409
Oakwood Drive	1,380,599	803,635	576,964
Total	\$4,922,955	\$1,832,730	\$3,090,225

Remaining commitment amounts were encumbered at year end.

Note 20 – Change in Accounting Principle

For 2017, the City implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2016-1*. These changes were incorporated in the City’s 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Required Supplementary Information

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

	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0572990%	0.0584940%	0.0582290%	0.0582290%
City's Proportionate Share of the Net Pension Liability	\$13,011,628	\$10,131,898	\$7,023,068	\$6,864,440
City's Covered Payroll	\$7,407,167	\$7,280,083	\$7,139,083	\$7,003,438
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.66%	139.17%	98.37%	98.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

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

* Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

City of Independence, 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)**

	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.2269520%	0.2205880%	0.2187702%	0.2187702%
City's Proportionate Share of the Net Pension Liability	\$14,374,911	\$14,190,580	\$11,333,209	\$10,654,795
City's Covered Payroll	\$4,776,754	\$4,561,994	\$4,415,260	\$4,301,102
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	300.93%	311.06%	256.68%	247.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	71.71%	73.00%

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

* Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

City of Independence, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Five Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$973,259	\$888,860	\$873,610	\$856,690	\$910,447
Contributions in Relation to the Contractually Required Contribution	<u>(973,259)</u>	<u>(888,860)</u>	<u>(873,610)</u>	<u>(856,690)</u>	<u>(910,447)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$7,486,608	\$7,407,167	\$7,280,083	\$7,139,083	\$7,003,438
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available.
An additional column will be added each year.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,033,612	\$991,894	\$946,316	\$915,539
Contributions in Relation to the Contractually Required Contribution	<u>(1,033,612)</u>	<u>(991,894)</u>	<u>(946,316)</u>	<u>(915,539)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$4,974,812	\$4,776,754	\$4,561,994	\$4,415,260
Contributions as a Percentage of Covered Payroll	20.78%	20.77%	20.74%	20.74%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$756,233	\$619,797	\$631,679	\$658,058	\$654,806	\$666,398
<u>(756,233)</u>	<u>(619,797)</u>	<u>(631,679)</u>	<u>(658,058)</u>	<u>(654,806)</u>	<u>(666,398)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,301,102	\$4,293,869	\$4,359,499	\$4,536,830	\$4,514,375	\$4,590,211
17.58%	14.43%	14.49%	14.50%	14.50%	14.52%

City of Independence, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2017

Changes in Assumptions - OPERS

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

	December 31, 2017	December 31, 2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

**Combining and Individual
Fund Statements and Schedules**

Combining Statements – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

To account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

State Highway Fund – To account for and report that portion of the State gasoline tax and motor vehicle registration fees restricted for maintenance of State highways within the City.

Motor Vehicle License Tax Fund – To account for and report the City’s restricted share of additional motor vehicle registration fees. Expenditures are restricted by State law for the maintenance and repair of streets and the purchase of road salt.

Street Construction, Maintenance and Repair Fund – To account for and report that portion of the State gasoline tax and motor vehicle registration fees restricted for street maintenance and repair.

Enforcement and Education Fund – To account for and report fines levied when arrests are made for driving under the influence of alcohol restricted for the education of officers and members of the community.

Drug Offense Fund – To account for and report fines levied when arrests are made involving a drug offense. This money is restricted for the education of officers and members of the community.

Law Enforcement Fund – To account for and report forfeitures collected that are restricted for specific law enforcement purposes.

Federal Forfeiture Fund – To account for and report federal forfeitures restricted for specific law enforcement purposes.

High Intensity Drug Trafficking Area (HIDTA) Fund – To account for and report forfeitures restricted for High Intensity Drug Trafficking Area task force law enforcement purposes.

Mayor’s Court Computer Fund – To account for and report court fines restricted to maintain and support the mayor’s court computer system.

FEMA Grant Fund – To account for and report grants received from the Federal and State governments restricted for restoration of areas hit by natural disasters.

Handicap Parking Fund – To account for and report fine monies collected from handicap parking violations committed to pay for costs associated with signage and notice requirements, educational and assistive technology programs and public improvements that assist persons with disabilities.

Friends for Life Fund – To accounts for and report donations committed to assist former residents who wish to attend City sponsored events.

Twenty-Five and Alive Fund – To account for and report donations committed to assist in educating our youth with regards to the dangers that drugs pose to them.

Home Days Fund – To account for and report donations, raffle and ride tickets associated with the annual Home Days Celebration committed to pay for the cost of parade entertainment, vendor booths and rides contracts.

(continued)

Nonmajor Special Revenue Funds (continued)

I Can Fund – To account for and report donations, fundraiser profits and participation fees committed to provide individuals 10 years old and up with physical, cognitive, and sensory disabilities with recreational, social and fitness opportunities.

Tree Fund – To account for and report donations committed for trees to be planted in the City.

Cemetery Fund – To account for and report receipts from grave sales and other fees committed to pay expenses related the City’s Cemetery.

Recreation Fund – To account for and report receipts of recreation fees committed to pay for the cost of operating the City’s recreation programs.

Police Pension Fund – To account for and report restricted property taxes levied for the payment of current employer contributions for police disability and pension benefits and accrued liability.

Compensated Absences Fund - To account for and report the accumulation of resources for accumulated sick leave and vacation leave, upon the termination of employment of employees in the City. This fund is included with the general fund for GAAP reporting as it does not have a restricted or committed revenue source.

Rainy Day Fund – To account for and report transfers from the general fund to stabilize against cyclical changes in revenues. This fund is included in the general fund for GAAP reporting as it does not have a restricted or committed revenue source.

Economic Development Fund – To account for and report transfers from the general fund assigned for economic development. This fund is included in the general fund for GAAP reporting as it does not have a restricted or committed revenue source.

Nonmajor Debt Service Fund

To account for and report financial resources that are restricted to expenditures for principal and interest.

Bond Retirement Fund – To account for and report restricted property taxes for the repayment of general obligation bonds and notes of the City.

Nonmajor Capital Projects Funds

To account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition of construction of major capital facilities and other capital assets.

Drain Water Fund – To account for and report Ohio Water Development Authority loan proceeds that are restricted for storm water drainage problems along with drain water improvement projects.

Rockside Woods Fund – To account for and report restricted special assessments for street lighting improvements made to Rockside Woods Boulevard North.

Issue II Fund – To account for and report grant and loan monies received from the Ohio Public Works Commission plus matching funds from the City that are restricted for various City road improvements.

Public Safety Equipment Fund – To account for and report general obligation bond proceeds restricted to upgrade equipment used by the Independence Police and Fire Departments.

Route 21 and Pleasant Valley Fund – This fund accounts for monies restricted for the maintenance and improvement projects for the intersection of Route 21 and Pleasant Valley.

City of Independence, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,462,956	\$50,932	\$1,321,884	\$3,835,772
Accounts Receivable	1,113	0	0	1,113
Intergovernmental Receivable	273,999	0	0	273,999
Prepaid Items	62	0	248	310
Accrued Interest Receivable	467	0	0	467
Special Assessments Receivable	0	0	300,587	300,587
Property Taxes Receivable	131,201	0	0	131,201
<i>Total Assets</i>	<u>\$2,869,798</u>	<u>\$50,932</u>	<u>\$1,622,719</u>	<u>\$4,543,449</u>
Liabilities				
Accounts Payable	\$104,279	\$0	\$6,541	\$110,820
Accrued Wages	63,235	0	0	63,235
Contracts Payable	0	0	130,434	130,434
Intergovernmental Payable	127,827	0	5,000	132,827
Retainage Payable	0	0	8,000	8,000
<i>Total Liabilities</i>	<u>295,341</u>	<u>0</u>	<u>149,975</u>	<u>445,316</u>
Deferred Inflows of Resources				
Property Taxes	126,156	0	0	126,156
Unavailable Revenue	222,034	0	300,587	522,621
<i>Total Deferred Inflows of Resources</i>	<u>348,190</u>	<u>0</u>	<u>300,587</u>	<u>648,777</u>
Fund Balances				
Nonspendable	62	0	248	310
Restricted	1,769,236	50,932	1,171,909	2,992,077
Committed	533,145	0	0	533,145
Unassigned (Deficit)	(76,176)	0	0	(76,176)
<i>Total Fund Balances</i>	<u>2,226,267</u>	<u>50,932</u>	<u>1,172,157</u>	<u>3,449,356</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$2,869,798</u>	<u>\$50,932</u>	<u>\$1,622,719</u>	<u>\$4,543,449</u>

City of Independence, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Property Taxes	\$117,303	\$0	\$0	\$117,303
Intergovernmental	2,868,062	0	0	2,868,062
Investment Income	2,515	0	0	2,515
Fees, Licenses and Permits	433,242	0	0	433,242
Fines and Forfeitures	99,122	0	0	99,122
Charges for Services	24,535	0	0	24,535
Special Assessments	0	0	33,086	33,086
Miscellaneous	69,107	0	24,216	93,323
<i>Total Revenues</i>	<u>3,613,886</u>	<u>0</u>	<u>57,302</u>	<u>3,671,188</u>
Expenditures				
Current:				
General Government	2,402,006	0	0	2,402,006
Security of Persons and Property	820,655	0	0	820,655
Public Health and Welfare	58,523	0	0	58,523
Leisure Time Activities	566,067	0	0	566,067
Transportation	1,100,368	0	0	1,100,368
Capital Outlay	0	0	660,606	660,606
Debt Service:				
Principal Retirement	0	0	53,941	53,941
Interest and Fiscal Charges	0	0	10,434	10,434
<i>Total Expenditures</i>	<u>4,947,619</u>	<u>0</u>	<u>724,981</u>	<u>5,672,600</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,333,733)	0	(667,679)	(2,001,412)
Other Financing Sources (Uses)				
Transfers In	1,504,000	0	860,900	2,364,900
<i>Net Change in Fund Balances</i>	170,267	0	193,221	363,488
<i>Fund Balances Beginning of Year</i>	<u>2,056,000</u>	<u>50,932</u>	<u>978,936</u>	<u>3,085,868</u>
<i>Fund Balances End of Year</i>	<u>\$2,226,267</u>	<u>\$50,932</u>	<u>\$1,172,157</u>	<u>\$3,449,356</u>

City of Independence, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2017

	State Highway	Motor Vehicle License Tax	Street Construction, Maintenance and Repair	Enforcement and Education	Drug Offense
Assets					
Equity in Pooled Cash and Cash Equivalents	\$156,556	\$92,472	\$729,339	\$13,948	\$44,905
Accounts Receivable	0	0	0	158	0
Intergovernmental Receivable	17,479	11,762	215,573	0	0
Prepaid Items	0	0	0	0	0
Accrued Interest Receivable	0	0	467	0	0
Property Taxes Receivable	0	0	0	0	0
<i>Total Assets</i>	<u>\$174,035</u>	<u>\$104,234</u>	<u>\$945,379</u>	<u>\$14,106</u>	<u>\$44,905</u>
Liabilities					
Accounts Payable	\$0	\$0	\$65,690	\$0	\$0
Accrued Wages	0	0	18,093	0	0
Intergovernmental Payable	0	0	6,783	0	0
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>90,566</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources					
Property Taxes	0	0	0	0	0
Unavailable Revenue	15,123	9,896	186,527	0	0
<i>Total Deferred Inflows of Resources</i>	<u>15,123</u>	<u>9,896</u>	<u>186,527</u>	<u>0</u>	<u>0</u>
Fund Balances					
Nonspendable	0	0	0	0	0
Restricted	158,912	94,338	668,286	14,106	44,905
Committed	0	0	0	0	0
Unassigned (Deficit)	0	0	0	0	0
<i>Total Fund Balances (Deficit)</i>	<u>158,912</u>	<u>94,338</u>	<u>668,286</u>	<u>14,106</u>	<u>44,905</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$174,035</u>	<u>\$104,234</u>	<u>\$945,379</u>	<u>\$14,106</u>	<u>\$44,905</u>

<u>Law Enforcement</u>	<u>Federal Forfeiture</u>	<u>HIDTA</u>	<u>Mayor's Court Computer</u>	<u>FEMA Grant</u>	<u>Handicap Parking</u>
\$27,075	\$45,519	\$25,493	\$27,487	\$5,905	\$26,728
0	0	0	955	0	0
611	22,427	0	0	704	0
0	0	0	62	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>\$27,686</u>	<u>\$67,946</u>	<u>\$25,493</u>	<u>\$28,504</u>	<u>\$6,609</u>	<u>\$26,728</u>
\$0	\$4,425	\$14,709	\$7,525	\$0	\$0
0	0	38,328	0	0	0
0	600	48,632	100	0	0
<u>0</u>	<u>5,025</u>	<u>101,669</u>	<u>7,625</u>	<u>0</u>	<u>0</u>
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	62	0	0
27,686	62,921	0	20,817	6,609	0
0	0	0	0	0	26,728
0	0	(76,176)	0	0	0
<u>27,686</u>	<u>62,921</u>	<u>(76,176)</u>	<u>20,879</u>	<u>6,609</u>	<u>26,728</u>
<u>\$27,686</u>	<u>\$67,946</u>	<u>\$25,493</u>	<u>\$28,504</u>	<u>\$6,609</u>	<u>\$26,728</u>

(continued)

City of Independence, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2017

	Friends for Life	Twenty- Five and Alive	Home Days	I Can	Tree
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,085	\$18,506	\$35,282	\$21,513	\$38,452
Accounts Receivable	0	0	0	0	0
Intergovernmental Receivable	0	0	0	0	0
Prepaid Items	0	0	0	0	0
Accrued Interest Receivable	0	0	0	0	0
Property Taxes Receivable	0	0	0	0	0
<i>Total Assets</i>	<u>\$2,085</u>	<u>\$18,506</u>	<u>\$35,282</u>	<u>\$21,513</u>	<u>\$38,452</u>
Liabilities					
Accounts Payable	\$0	\$0	\$0	\$378	\$0
Accrued Wages	0	0	0	0	0
Intergovernmental Payable	0	0	0	0	0
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>378</u>	<u>0</u>
Deferred Inflows of Resources					
Property Taxes	0	0	0	0	0
Unavailable Revenue	0	0	0	0	0
<i>Total Deferred Inflows of Resources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances					
Nonspendable	0	0	0	0	0
Restricted	0	0	0	0	0
Committed	2,085	18,506	35,282	21,135	38,452
Unassigned (Deficit)	0	0	0	0	0
<i>Total Fund Balances (Deficit)</i>	<u>2,085</u>	<u>18,506</u>	<u>35,282</u>	<u>21,135</u>	<u>38,452</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$2,085</u>	<u>\$18,506</u>	<u>\$35,282</u>	<u>\$21,513</u>	<u>\$38,452</u>

Cemetery	Recreation	Police Pension	Total Nonmajor Special Revenue Funds
\$65,952	\$346,315	\$739,424	\$2,462,956
0	0	0	1,113
0	0	5,443	273,999
0	0	0	62
0	0	0	467
0	0	131,201	131,201
<u>\$65,952</u>	<u>\$346,315</u>	<u>\$876,068</u>	<u>\$2,869,798</u>
\$0	\$11,552	\$0	\$104,279
1,475	5,339	0	63,235
772	2,172	68,768	127,827
<u>2,247</u>	<u>19,063</u>	<u>68,768</u>	<u>295,341</u>
0	0	126,156	126,156
0	0	10,488	222,034
<u>0</u>	<u>0</u>	<u>136,644</u>	<u>348,190</u>
0	0	0	62
0	0	670,656	1,769,236
63,705	327,252	0	533,145
0	0	0	(76,176)
<u>63,705</u>	<u>327,252</u>	<u>670,656</u>	<u>2,226,267</u>
<u>\$65,952</u>	<u>\$346,315</u>	<u>\$876,068</u>	<u>\$2,869,798</u>

City of Independence, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2017

	State Highway	Motor Vehicle License Tax	Street Construction, Maintenance and Repair	Enforcement and Education
Revenues				
Property Taxes	\$0	\$0	\$0	\$0
Intergovernmental	36,527	24,057	450,480	0
Investment Income	252	146	2,117	0
Fees, Licenses and Permits	0	0	0	0
Fines and Forfeitures	0	0	0	598
Charges for Services	0	0	0	0
Miscellaneous	0	0	0	0
<i>Total Revenues</i>	<u>36,779</u>	<u>24,203</u>	<u>452,597</u>	<u>598</u>
Expenditures				
Current:				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Public Health and Welfare	0	0	0	0
Leisure Time Activities	0	0	0	0
Transportation	5,086	7,456	1,087,826	0
<i>Total Expenditures</i>	<u>5,086</u>	<u>7,456</u>	<u>1,087,826</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	31,693	16,747	(635,229)	598
Other Financing Sources (Uses)				
Transfers In	0	0	750,000	0
<i>Net Change in Fund Balances</i>	31,693	16,747	114,771	598
<i>Fund Balances Beginning of Year</i>	<u>127,219</u>	<u>77,591</u>	<u>553,515</u>	<u>13,508</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$158,912</u>	<u>\$94,338</u>	<u>\$668,286</u>	<u>\$14,106</u>

Drug Offense	Law Enforcement	Federal Forfeiture	HIDTA	Mayor's Court Computer	FEMA Grant
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	2,259,509	0	86,603
0	0	0	0	0	0
0	0	0	0	0	0
1,413	39,596	37,153	0	20,237	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>1,413</u>	<u>39,596</u>	<u>37,153</u>	<u>2,259,509</u>	<u>20,237</u>	<u>86,603</u>
0	0	0	2,335,634	14,253	0
0	19,077	24,961	0	0	217,175
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>19,077</u>	<u>24,961</u>	<u>2,335,634</u>	<u>14,253</u>	<u>217,175</u>
1,413	20,519	12,192	(76,125)	5,984	(130,572)
0	0	0	0	0	0
<u>1,413</u>	<u>20,519</u>	<u>12,192</u>	<u>(76,125)</u>	<u>5,984</u>	<u>(130,572)</u>
43,492	7,167	50,729	(51)	14,895	137,181
<u>\$44,905</u>	<u>\$27,686</u>	<u>\$62,921</u>	<u>(\$76,176)</u>	<u>\$20,879</u>	<u>\$6,609</u>

(continued)

City of Independence, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
For the Year Ended December 31, 2017

	Handicap Parking	Friends for Life	Twenty- Five and Alive	Home Days
Revenues				
Property Taxes	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	0
Investment Income	0	0	0	0
Fees, Licenses and Permits	0	0	0	0
Fines and Forfeitures	125	0	0	0
Charges for Services	0	0	0	0
Miscellaneous	0	0	1,495	55,013
<i>Total Revenues</i>	<u>125</u>	<u>0</u>	<u>1,495</u>	<u>55,013</u>
Expenditures				
Current:				
General Government	0	0	937	49,065
Security of Persons and Property	0	0	0	0
Public Health and Welfare	0	0	0	0
Leisure Time Activities	0	0	0	0
Transportation	0	0	0	0
<i>Total Expenditures</i>	<u>0</u>	<u>0</u>	<u>937</u>	<u>49,065</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	125	0	558	5,948
Other Financing Sources (Uses)				
Transfers In	0	0	2,000	0
<i>Net Change in Fund Balances</i>	125	0	2,558	5,948
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>26,603</u>	<u>2,085</u>	<u>15,948</u>	<u>29,334</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$26,728</u>	<u>\$2,085</u>	<u>\$18,506</u>	<u>\$35,282</u>

I Can	Tree	Cemetery	Recreation	Police Pension	Total Nonmajor Special Revenue Funds
\$0	\$0	\$0	\$0	\$117,303	\$117,303
0	0	0	0	10,886	2,868,062
0	0	0	0	0	2,515
0	0	0	433,242	0	433,242
0	0	0	0	0	99,122
0	0	24,535	0	0	24,535
3,018	5,250	0	4,331	0	69,107
<u>3,018</u>	<u>5,250</u>	<u>24,535</u>	<u>437,573</u>	<u>128,189</u>	<u>3,613,886</u>
2,117	0	0	0	0	2,402,006
0	0	0	0	559,442	820,655
0	0	58,523	0	0	58,523
0	0	0	566,067	0	566,067
0	0	0	0	0	1,100,368
<u>2,117</u>	<u>0</u>	<u>58,523</u>	<u>566,067</u>	<u>559,442</u>	<u>4,947,619</u>
901	5,250	(33,988)	(128,494)	(431,253)	(1,333,733)
<u>2,000</u>	<u>0</u>	<u>0</u>	<u>200,000</u>	<u>550,000</u>	<u>1,504,000</u>
2,901	5,250	(33,988)	71,506	118,747	170,267
<u>18,234</u>	<u>33,202</u>	<u>97,693</u>	<u>255,746</u>	<u>551,909</u>	<u>2,056,000</u>
<u>\$21,135</u>	<u>\$38,452</u>	<u>\$63,705</u>	<u>\$327,252</u>	<u>\$670,656</u>	<u>\$2,226,267</u>

City of Independence, Ohio
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2017

	Drain Water	Rockside Woods	Issue II
Assets			
Equity in Pooled Cash and Cash Equivalents	\$352,322	\$164	\$117,055
Prepaid Items	0	0	0
Special Assessments Receivable	0	0	300,587
<i>Total Assets</i>	<u>\$352,322</u>	<u>\$164</u>	<u>\$417,642</u>
Liabilities			
Accounts Payable	\$2,176	\$0	\$0
Contracts Payable	130,434	0	0
Intergovernmental Payable	5,000	0	0
Retainage Payable	8,000	0	0
<i>Total Liabilities</i>	<u>145,610</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	300,587
Fund Balances			
Nonspendable	0	0	0
Restricted	206,712	164	117,055
<i>Total Fund Balances</i>	<u>206,712</u>	<u>164</u>	<u>117,055</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$352,322</u>	<u>\$164</u>	<u>\$417,642</u>

<u>Public Safety Equipment</u>	<u>Route 21 and Pleasant Valley</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$850,748	\$1,595	\$1,321,884
248	0	248
0	0	300,587
<u>\$850,996</u>	<u>\$1,595</u>	<u>\$1,622,719</u>
\$4,365	\$0	\$6,541
0	0	130,434
0	0	5,000
0	0	8,000
<u>4,365</u>	<u>0</u>	<u>149,975</u>
<u>0</u>	<u>0</u>	<u>300,587</u>
248	0	248
<u>846,383</u>	<u>1,595</u>	<u>1,171,909</u>
<u>846,631</u>	<u>1,595</u>	<u>1,172,157</u>
<u>\$850,996</u>	<u>\$1,595</u>	<u>\$1,622,719</u>

City of Independence, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2017

	Drain Water	Rockside Woods	Issue II
Revenues			
Special Assessments	\$0	\$0	\$33,086
Miscellaneous	10,500	0	0
<i>Total Revenues</i>	<u>10,500</u>	<u>0</u>	<u>33,086</u>
Expenditures			
Capital Outlay	523,210	0	0
Debt Service:			
Principal Retirement	0	0	42,691
Interest and Fiscal Charges	0	0	10,434
<i>Total Expenditures</i>	<u>523,210</u>	<u>0</u>	<u>53,125</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(512,710)	0	(20,039)
Other Financing Sources (Uses)			
Transfers In	549,400	0	0
<i>Net Change in Fund Balances</i>	36,690	0	(20,039)
<i>Fund Balances Beginning of Year</i>	<u>170,022</u>	<u>164</u>	<u>137,094</u>
<i>Fund Balances End of Year</i>	<u><u>\$206,712</u></u>	<u><u>\$164</u></u>	<u><u>\$117,055</u></u>

Public Safety Equipment	Route 21 and Pleasant Valley	Total Nonmajor Capital Projects Funds
\$0	\$0	\$33,086
13,716	0	24,216
13,716	0	57,302
137,396	0	660,606
0	11,250	53,941
0	0	10,434
137,396	11,250	724,981
(123,680)	(11,250)	(667,679)
300,000	11,500	860,900
176,320	250	193,221
670,311	1,345	978,936
<u>\$846,631</u>	<u>\$1,595</u>	<u>\$1,172,157</u>

Fiduciary Fund

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. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Agency Fund

Deposits and Fees Fund - This fund accounts for monies put on deposit with the City in accordance with various City ordinances.

City of Independence, Ohio
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended December 31, 2017

	Beginning Balance <u>12/31/16</u>	<u>Additions</u>	<u>Deductions</u>	Ending Balance <u>12/31/17</u>
<i>Deposits and Fees</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$369,819</u>	<u>\$218,795</u>	<u>\$91,128</u>	<u>\$497,486</u>
Liabilities				
Deposits Held and Due to Others	<u>\$369,819</u>	<u>\$218,795</u>	<u>\$91,128</u>	<u>\$497,486</u>

**Individual Fund Schedules of Revenues, Expenditures/Expenses
and Changes in Fund Balances/Fund Equity –
Budget (Non-GAAP Basis) and Actual**

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$721,350	\$730,498	\$742,923	\$12,425
Municipal Income Taxes	29,983,048	30,330,122	30,801,501	471,379
Hotel/Motel Taxes	1,314,430	1,329,645	1,350,310	20,665
Amusement Taxes	18,686	18,902	19,196	294
Intergovernmental	355,225	358,539	363,040	4,501
Investment Income	54,459	55,090	55,946	856
Fees, Licenses and Permits	359,143	363,301	368,947	5,646
Fines and Forfeitures	328,160	331,959	337,118	5,159
Charges for Services	663,788	671,472	681,908	10,436
Rentals	217,491	220,009	223,428	3,419
Miscellaneous	433,249	438,263	445,074	6,811
<i>Total Revenues</i>	<i>34,449,029</i>	<i>34,847,800</i>	<i>35,389,391</i>	<i>541,591</i>
Expenditures				
Current:				
General Government:				
Mayor:				
Salaries and Wages	298,400	250,900	224,119	26,781
Benefits	136,100	95,600	88,483	7,117
Other	27,955	27,955	11,713	16,242
Total Mayor	462,455	374,455	324,315	50,140
Finance Department:				
Salaries and Wages	335,600	330,600	319,148	11,452
Benefits	150,500	143,000	138,986	4,014
Other	18,584	18,584	13,676	4,908
Total Finance Department	504,684	492,184	471,810	20,374
Council:				
Salaries and Wages	157,300	145,800	143,633	2,167
Benefits	142,100	152,600	151,311	1,289
Other	5,200	5,200	1,366	3,834
Total Council	304,600	303,600	296,310	7,290
Law Director:				
Other	\$310,000	\$310,000	\$200,842	\$109,158

(continued)

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Other:				
Salaries and Wages	\$92,600	\$92,600	\$88,569	\$4,031
Benefits	241,000	222,500	215,307	7,193
Insurance	571,972	421,972	302,596	119,376
Professional Fees	577,657	622,657	604,049	18,608
Other	1,844,354	1,849,354	1,705,863	143,491
Total Other	<u>3,327,583</u>	<u>3,209,083</u>	<u>2,916,384</u>	<u>292,699</u>
Court:				
Salaries and Wages	247,800	243,300	239,502	3,798
Benefits	88,700	85,700	84,747	953
Other	62,596	52,596	9,776	42,820
Total Court	<u>399,096</u>	<u>381,596</u>	<u>334,025</u>	<u>47,571</u>
Service Administration:				
Salaries and Wages	452,600	410,600	394,541	16,059
Benefits	183,550	161,550	152,612	8,938
Other	8,365	8,365	1,792	6,573
Total Service Administration	<u>644,515</u>	<u>580,515</u>	<u>548,945</u>	<u>31,570</u>
Income Tax Collection:				
Other	1,000,000	1,000,000	912,676	87,324
Court Program Fees:				
Other	17,255	17,255	14,265	2,990
Total General Government	<u>6,970,188</u>	<u>6,668,688</u>	<u>6,019,572</u>	<u>649,116</u>
Security of Persons and Property:				
Police:				
Salaries and Wages	3,972,800	3,985,800	3,965,437	20,363
Benefits	1,023,184	991,184	983,857	7,327
Other	217,511	217,511	131,496	86,015
Total Police	<u>5,213,495</u>	<u>5,194,495</u>	<u>5,080,790</u>	<u>113,705</u>
Fire:				
Salaries and Wages	2,151,100	2,176,100	2,157,216	18,884
Benefits	997,437	999,437	986,883	12,554
Other	163,856	163,856	153,995	9,861
Total Fire	<u>3,312,393</u>	<u>3,339,393</u>	<u>3,298,094</u>	<u>41,299</u>
Total Security of Persons and Property	<u>\$8,525,888</u>	<u>\$8,533,888</u>	<u>\$8,378,884</u>	<u>\$155,004</u>

(continued)

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Leisure Time Activities:				
Parks and Playgrounds:				
Salaries and Wages	\$265,000	\$241,500	\$232,766	\$8,734
Benefits	88,100	77,100	74,151	2,949
Other	146,935	146,935	131,347	15,588
Total Parks and Playgrounds	500,035	465,535	438,264	27,271
Pools:				
Salaries and Wages	284,500	257,500	251,419	6,081
Benefits	42,200	42,200	40,139	2,061
Other	47,115	47,115	47,115	0
Total Pools	373,815	346,815	338,673	8,142
Concession Stand:				
Salaries and Wages	44,800	37,800	34,791	3,009
Other	49,661	49,661	47,778	1,883
Total Concession Stand	94,461	87,461	82,569	4,892
Field House:				
Salaries and Wages	29,500	29,500	22,332	7,168
Other	45,880	45,880	25,993	19,887
Total Field House	75,380	75,380	48,325	27,055
Administration:				
Salaries and Wages	378,342	394,342	379,065	15,277
Benefits	338,000	350,000	345,340	4,660
Other	6,838	6,838	5,202	1,636
Total Administration	723,180	751,180	729,607	21,573
Civic Center Recreation:				
Salaries and Wages	214,880	214,880	214,880	0
Custodial:				
Salaries and Wages	\$318,278	\$318,278	\$318,278	\$0

(continued)

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Civic Center:				
Salaries and Wages	\$691,000	\$647,000	\$621,585	\$25,415
Benefits	239,200	249,200	241,910	7,290
Other	141,424	141,424	88,073	53,351
Total Civic Center	1,071,624	1,037,624	951,568	86,056
Total Leisure Time Activities	3,371,653	3,297,153	3,122,164	174,989
Community Environment:				
Building and Lands:				
Salaries and Wages	470,900	423,900	414,314	9,586
Benefits	171,800	155,300	152,955	2,345
Other	474,085	441,085	270,422	170,663
Total Building and Lands	1,116,785	1,020,285	837,691	182,594
Technical Services:				
Salaries and Wages	500,800	473,800	453,387	20,413
Benefits	199,831	189,831	179,734	10,097
Other	316,455	331,455	299,077	32,378
Total Technical Services	1,017,086	995,086	932,198	62,888
IT Department:				
Salaries and Wages	148,700	153,700	135,109	18,591
Benefits	42,700	50,700	48,566	2,134
Other	140,838	156,838	135,408	21,430
Total IT Department	332,238	361,238	319,083	42,155
Building Department:				
Salaries and Wages	233,400	223,400	212,759	10,641
Benefits	65,700	61,700	60,325	1,375
Other	141,431	124,931	102,580	22,351
Total Building Department	440,531	410,031	375,664	34,367
Engineering Department:				
Salaries and Wages	343,700	374,200	362,953	11,247
Benefits	115,000	120,500	118,102	2,398
Other	85,430	85,430	63,441	21,989
Total Engineering Department	\$544,130	\$580,130	\$544,496	\$35,634

(continued)

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Economic Department:				
Salaries and Wages	\$100,000	\$100,000	\$96,239	\$3,761
Benefits	38,300	36,800	34,999	1,801
Other	72,599	72,599	48,612	23,987
Total Economic Department	210,899	209,399	179,850	29,549
Boards and Commissions:				
Salaries and Wages	56,500	53,500	34,080	19,420
Benefits	7,600	6,100	4,738	1,362
Other	500	500	0	500
Total Boards and Commissions	64,600	60,100	38,818	21,282
Total Community Environment	3,726,269	3,636,269	3,227,800	408,469
Basic Utility Services:				
Rubbish:				
Salaries and Wages	235,900	243,400	233,105	10,295
Benefits	51,000	77,000	76,814	186
Other	271,420	271,420	262,276	9,144
Total Rubbish	558,320	591,820	572,195	19,625
Sewer/Water Control:				
Salaries and Wages	241,700	232,200	223,504	8,696
Benefits	127,000	118,000	112,693	5,307
Other	14,800	14,800	2,503	12,297
Total Sewer/Water Control	383,500	365,000	338,700	26,300
Total Basic Utility Services	941,820	956,820	910,895	45,925
Transportation:				
Equipment and Motor Pool:				
Salaries and Wages	285,800	276,300	260,331	15,969
Benefits	115,900	100,900	95,963	4,937
Other	443,263	443,263	374,551	68,712
Total Transportation	844,963	820,463	730,845	89,618
Total Expenditures	24,380,781	23,913,281	22,390,160	1,523,121
Excess of Revenues Over (Under) Expenditures	\$10,068,248	\$10,934,519	\$12,999,231	\$2,064,712

(continued)

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses)				
Advances In	\$599,000	\$599,000	\$599,000	\$0
Advances Out	(1,890,000)	(1,933,000)	(1,933,000)	0
Transfers Out	(10,226,100)	(10,489,900)	(10,489,900)	0
<i>Total Other Financing (Uses)</i>	<u>(11,517,100)</u>	<u>(11,823,900)</u>	<u>(11,823,900)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,448,852)	(889,381)	1,175,331	2,064,712
<i>Fund Balance Beginning of Year</i>	6,381,281	6,381,281	6,381,281	0
Prior Year Encumbrances Appropriated	<u>1,055,081</u>	<u>1,055,081</u>	<u>1,055,081</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$5,987,510</u></u>	<u><u>\$6,546,981</u></u>	<u><u>\$8,611,693</u></u>	<u><u>\$2,064,712</u></u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Quadrant Tax Increment Financing Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$0	\$188,300	\$167,558	(\$20,742)
Payments in Lieu of Taxes	1,431,500	1,431,500	1,431,139	(361)
Miscellaneous	0	542,000	448,154	(93,846)
<i>Total Revenues</i>	<u>1,431,500</u>	<u>2,161,800</u>	<u>2,046,851</u>	<u>(114,949)</u>
Expenditures				
Capital Outlay	8,682,666	8,897,066	8,034,167	862,899
Debt Service:				
Principal Retirement	13,481,297	19,078,400	19,078,356	44
Interest and Fiscal Charges	465,380	654,900	654,809	91
Debt Issuance Cost	61,823	87,000	86,901	99
<i>Total Debt Service</i>	<u>14,008,500</u>	<u>19,820,300</u>	<u>19,820,066</u>	<u>234</u>
<i>Total Expenditures</i>	<u>22,691,166</u>	<u>28,717,366</u>	<u>27,854,233</u>	<u>863,133</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(21,259,666)</u>	<u>(26,555,566)</u>	<u>(25,807,382)</u>	<u>748,184</u>
Other Financing Sources (Uses)				
General Obligation Notes Issued	12,378,400	17,850,000	17,850,000	0
Premium on Notes Issued	0	0	104,639	104,639
Advances In	1,883,000	1,883,000	1,883,000	0
Advances Out	(1,112,500)	(1,047,500)	(1,047,500)	0
Transfers In	55,000	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>13,203,900</u>	<u>18,685,500</u>	<u>18,790,139</u>	<u>104,639</u>
<i>Net Change in Fund Balance</i>	(8,055,766)	(7,870,066)	(7,017,243)	852,823
<i>Fund Balance Beginning of Year</i>	1,501,674	1,501,674	1,501,674	0
Prior Year Encumbrances Appropriated	6,943,366	6,943,366	6,943,366	0
<i>Fund Balance End of Year</i>	<u>\$389,274</u>	<u>\$574,974</u>	<u>\$1,427,797</u>	<u>\$852,823</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Capital Improvements Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$0	\$0	\$200,000	\$200,000
Rentals	0	0	11,219	11,219
Miscellaneous	40,000	40,000	1,087	(38,913)
<i>Total Revenues</i>	<u>40,000</u>	<u>40,000</u>	<u>212,306</u>	<u>172,306</u>
Expenditures				
Capital Outlay	5,097,253	5,223,253	5,110,361	112,892
Debt Service:				
Principal Retirement	957,200	957,200	957,161	39
Interest and Fiscal Charges	222,600	222,600	222,582	18
Total Debt Service	<u>1,179,800</u>	<u>1,179,800</u>	<u>1,179,743</u>	<u>57</u>
<i>Total Expenditures</i>	<u>6,277,053</u>	<u>6,403,053</u>	<u>6,290,104</u>	<u>112,949</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(6,237,053)</u>	<u>(6,363,053)</u>	<u>(6,077,798)</u>	<u>285,255</u>
Other Financing Sources (Uses)				
Advances In	175,000	175,000	175,000	0
Transfers In	2,700,000	2,700,000	2,700,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>2,875,000</u>	<u>2,875,000</u>	<u>2,875,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(3,362,053)	(3,488,053)	(3,202,798)	285,255
<i>Fund Balance Beginning of Year</i>	454,107	454,107	454,107	0
Prior Year Encumbrances Appropriated	<u>3,222,253</u>	<u>3,222,253</u>	<u>3,222,253</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$314,307</u>	<u>\$188,307</u>	<u>\$473,562</u>	<u>\$285,255</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Resurfacing Fund
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$68,000	\$68,000	\$26,592	(\$41,408)
Expenditures				
Capital Outlay	8,394,693	8,394,693	7,088,309	1,306,384
<i>Excess of Revenues Over (Under) Expenditures</i>	(8,326,693)	(8,326,693)	(7,061,717)	1,264,976
Other Financing Sources (Uses)				
Transfers In	4,450,000	4,450,000	4,450,000	0
<i>Net Change in Fund Balance</i>	(3,876,693)	(3,876,693)	(2,611,717)	1,264,976
<i>Fund Balance Beginning of Year</i>	130,445	130,445	130,445	0
Prior Year Encumbrances Appropriated	3,912,593	3,912,593	3,912,593	0
<i>Fund Balance End of Year</i>	<u>\$166,345</u>	<u>\$166,345</u>	<u>\$1,431,321</u>	<u>\$1,264,976</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
State Highway Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$32,500	\$32,500	\$36,593	\$4,093
Investment Income	0	0	252	252
<i>Total Revenues</i>	32,500	32,500	36,845	4,345
Expenditures				
Current:				
Transportation:				
Streets, Sidewalks, and Maintenance:				
Other	100,000	100,000	50,000	50,000
<i>Net Change in Fund Balance</i>	(67,500)	(67,500)	(13,155)	54,345
<i>Fund Balance Beginning of Year</i>	119,711	119,711	119,711	0
Prior Year Encumbrances Appropriated	50,000	50,000	50,000	0
<i>Fund Balance End of Year</i>	<u>\$102,211</u>	<u>\$102,211</u>	<u>\$156,556</u>	<u>\$54,345</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Motor Vehicle License Tax Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$20,000	\$20,000	\$24,058	\$4,058
Investment Income	0	0	146	146
<i>Total Revenues</i>	20,000	20,000	24,204	4,204
Expenditures				
Current:				
Transportation:				
Streets, Sidewalks, and Maintenance:				
Other	50,000	50,000	25,000	25,000
<i>Net Change in Fund Balance</i>	(30,000)	(30,000)	(796)	29,204
<i>Fund Balance Beginning of Year</i>	68,268	68,268	68,268	0
Prior Year Encumbrances Appropriated	25,000	25,000	25,000	0
<i>Fund Balance End of Year</i>	<u>\$63,268</u>	<u>\$63,268</u>	<u>\$92,472</u>	<u>\$29,204</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$400,000	\$400,000	\$451,310	\$51,310
Investment Income	0	0	1,650	1,650
<i>Total Revenues</i>	400,000	400,000	452,960	52,960
Expenditures				
Current:				
Transportation:				
Streets, Sidewalks, and Maintenance:				
Salaries and Wages	363,500	399,500	383,714	15,786
Benefits	171,700	165,700	160,755	4,945
Other	912,073	849,573	705,890	143,683
<i>Total Expenditures</i>	1,447,273	1,414,773	1,250,359	164,414
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,047,273)	(1,014,773)	(797,399)	217,374
Other Financing Sources (Uses)				
Transfers In	750,000	750,000	750,000	0
<i>Net Change in Fund Balance</i>	(297,273)	(264,773)	(47,399)	217,374
<i>Fund Balance Beginning of Year</i>	446,258	446,258	446,258	0
Prior Year Encumbrances Appropriated	147,273	147,273	147,273	0
<i>Fund Balance End of Year</i>	\$296,258	\$328,758	\$546,132	\$217,374

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Enforcement and Education Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$1,000	\$1,000	\$515	(\$485)
Expenditures				
Current:				
Security of Persons and Property:				
Police Department:				
Other	1,000	1,000	0	1,000
<i>Net Change in Fund Balance</i>	0	0	515	515
<i>Fund Balance Beginning of Year</i>	13,433	13,433	13,433	0
<i>Fund Balance End of Year</i>	<u>\$13,433</u>	<u>\$13,433</u>	<u>\$13,948</u>	<u>\$515</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Drug Offense Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$5,000	\$5,000	\$1,613	(\$3,387)
Expenditures				
Current:				
Security of Persons and Property:				
Police Department:				
Other	23,375	23,375	11,375	12,000
<i>Net Change in Fund Balance</i>	(18,375)	(18,375)	(9,762)	8,613
<i>Fund Balance Beginning of Year</i>	41,917	41,917	41,917	0
Prior Year Encumbrances Appropriated	1,375	1,375	1,375	0
<i>Fund Balance End of Year</i>	<u>\$24,917</u>	<u>\$24,917</u>	<u>\$33,530</u>	<u>\$8,613</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Law Enforcement Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$25,000	\$25,000	\$38,985	\$13,985
Expenditures				
Current:				
Security of Persons and Property:				
Police Department:				
Other	25,000	25,000	19,202	5,798
<i>Net Change in Fund Balance</i>	0	0	19,783	19,783
<i>Fund Balance Beginning of Year</i>	7,167	7,167	7,167	0
<i>Fund Balance End of Year</i>	<u>\$7,167</u>	<u>\$7,167</u>	<u>\$26,950</u>	<u>\$19,783</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Federal Forfeiture Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$25,000	\$25,000	\$14,726	(\$10,274)
Expenditures				
Current:				
Security of Persons and Property:				
Police Department:				
Other	25,441	56,441	47,962	8,479
<i>Net Change in Fund Balance</i>	(441)	(31,441)	(33,236)	(1,795)
<i>Fund Balance Beginning of Year</i>	49,921	49,921	49,921	0
Prior Year Encumbrances Appropriated	441	441	441	0
<i>Fund Balance End of Year</i>	<u>\$49,921</u>	<u>\$18,921</u>	<u>\$17,126</u>	<u>(\$1,795)</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
High Intensity Drug Trafficking Area Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$2,626,000	\$2,626,000	\$2,259,509	(\$366,491)
Expenditures				
Current:				
General Government:				
Salaries and Wages	812,430	812,430	691,405	121,025
Benefits	240,340	240,340	204,538	35,802
Other	1,572,230	1,572,230	1,343,094	229,136
<i>Total Expenditures</i>	2,625,000	2,625,000	2,239,037	385,963
<i>Excess of Revenues Over (Under) Expenditures</i>	1,000	1,000	20,472	19,472
Other Financing Sources (Uses)				
Advances Out	(1,000)	(1,000)	(1,000)	0
<i>Net Change in Fund Balance</i>	0	0	19,472	19,472
<i>Fund Balance Beginning of Year</i>	949	949	949	0
<i>Fund Balance End of Year</i>	\$949	\$949	\$20,421	\$19,472

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Mayor's Court Computer Fund
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and Forfeitures	\$12,000	\$12,000	\$20,417	\$8,417
Expenditures				
Current:				
General Government:				
Mayor's Court Computer:				
Other	20,774	20,774	16,555	4,219
<i>Net Change in Fund Balance</i>	(8,774)	(8,774)	3,862	12,636
<i>Fund Balance Beginning of Year</i>	18,388	18,388	18,388	0
Prior Year Encumbrances Appropriated	774	774	774	0
<i>Fund Balance End of Year</i>	<u>\$10,388</u>	<u>\$10,388</u>	<u>\$23,024</u>	<u>\$12,636</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
FEMA Grant Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$230,500	\$244,500	\$220,121	(\$24,379)
Expenditures				
Current:				
Security of Persons and Property:				
Fire Department:				
Other	226,287	240,287	217,175	23,112
<i>Excess of Revenues Over (Under) Expenditures</i>	4,213	4,213	2,946	(1,267)
Other Financing Sources (Uses)				
Advances Out	(230,500)	(230,500)	(230,500)	0
<i>Net Change in Fund Balance</i>	(226,287)	(226,287)	(227,554)	(1,267)
<i>Fund Balance Beginning of Year</i>	92,172	92,172	92,172	0
Prior Year Encumbrances Appropriated	141,287	141,287	141,287	0
<i>Fund Balance End of Year</i>	<u>\$7,172</u>	<u>\$7,172</u>	<u>\$5,905</u>	<u>(\$1,267)</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Handicap Parking Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$1,000	\$1,000	\$125	(\$875)
Expenditures				
Current:				
General Government:				
Other General Government:				
Other	5,000	5,000	0	5,000
<i>Net Change in Fund Balance</i>	(4,000)	(4,000)	125	4,125
<i>Fund Balance Beginning of Year</i>	26,603	26,603	26,603	0
<i>Fund Balance End of Year</i>	<u>\$22,603</u>	<u>\$22,603</u>	<u>\$26,728</u>	<u>\$4,125</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Friends for Life Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Current:				
General Government:				
Other General Government:				
Other	500	500	0	500
<i>Net Change in Fund Balance</i>	(500)	(500)	0	500
<i>Fund Balance Beginning of Year</i>	2,085	2,085	2,085	0
<i>Fund Balance End of Year</i>	<u>\$1,585</u>	<u>\$1,585</u>	<u>\$2,085</u>	<u>\$500</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Twenty-Five and Alive Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$2,100	\$2,100	\$1,495	(\$605)
Expenditures				
Current:				
General Government:				
Other General Government:				
Other	7,833	7,833	1,324	6,509
<i>Excess of Revenues Over (Under) Expenditures</i>	(5,733)	(5,733)	171	5,904
Other Financing Sources (Uses)				
Transfers In	2,000	2,000	2,000	0
<i>Net Change in Fund Balance</i>	(3,733)	(3,733)	2,171	5,904
<i>Fund Balance Beginning of Year</i>	15,615	15,615	15,615	0
Prior Year Encumbrances Appropriated	333	333	333	0
<i>Fund Balance End of Year</i>	<u>\$12,215</u>	<u>\$12,215</u>	<u>\$18,119</u>	<u>\$5,904</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Home Days Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$50,000	\$50,000	\$55,013	\$5,013
Expenditures				
Current:				
General Government:				
Other General Government:				
Other	50,000	50,000	49,065	935
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>0</u>	<u>0</u>	<u>5,948</u>	<u>5,948</u>
Other Financing Sources (Uses)				
Advances In	50,000	50,000	50,000	0
Advances Out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	5,948	5,948
<i>Fund Balance Beginning of Year</i>	<u>29,334</u>	<u>29,334</u>	<u>29,334</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$29,334</u></u>	<u><u>\$29,334</u></u>	<u><u>\$35,282</u></u>	<u><u>\$5,948</u></u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
I Can Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$4,000	\$4,000	\$3,018	(\$982)
Expenditures				
Current:				
General Government:				
Other General Government:				
Other	7,493	7,493	3,040	4,453
<i>Excess of Revenues Over (Under) Expenditures</i>	(3,493)	(3,493)	(22)	3,471
Other Financing Sources (Uses)				
Transfers In	2,000	2,000	2,000	0
<i>Net Change in Fund Balance</i>	(1,493)	(1,493)	1,978	3,471
<i>Fund Balance Beginning of Year</i>	18,143	18,143	18,143	0
Prior Year Encumbrances Appropriated	493	493	493	0
<i>Fund Balance End of Year</i>	<u>\$17,143</u>	<u>\$17,143</u>	<u>\$20,614</u>	<u>\$3,471</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Tree Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$0	\$0	\$5,250	\$5,250
Expenditures				
Current:				
General Government:				
Other General Government:				
Other	12,625	12,625	7,625	5,000
<i>Net Change in Fund Balance</i>	(12,625)	(12,625)	(2,375)	10,250
<i>Fund Balance Beginning of Year</i>	25,577	25,577	25,577	0
Prior Year Encumbrances Appropriated	7,625	7,625	7,625	0
<i>Fund Balance End of Year</i>	<u>\$20,577</u>	<u>\$20,577</u>	<u>\$30,827</u>	<u>\$10,250</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Cemetery Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$25,000	\$25,000	\$24,535	(\$465)
Expenditures				
Current:				
Public Health and Welfare:				
Cemetery:				
Other	65,156	65,156	58,271	6,885
<i>Net Change in Fund Balance</i>	(40,156)	(40,156)	(33,736)	6,420
<i>Fund Balance Beginning of Year</i>	99,436	99,436	99,436	0
Prior Year Encumbrances Appropriated	156	156	156	0
<i>Fund Balance End of Year</i>	<u>\$59,436</u>	<u>\$59,436</u>	<u>\$65,856</u>	<u>\$6,420</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Recreation Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fees, Licenses and Permits	\$425,000	\$425,000	\$433,242	\$8,242
Miscellaneous	0	0	4,331	4,331
<i>Total Revenues</i>	425,000	425,000	437,573	12,573
Expenditures				
Current:				
Leisure Time Activities:				
Recreation:				
Other	665,202	665,202	593,556	71,646
<i>Excess of Revenues Over (Under) Expenditures</i>	(240,202)	(240,202)	(155,983)	84,219
Other Financing Sources (Uses)				
Transfers In	200,000	200,000	200,000	0
<i>Net Change in Fund Balance</i>	(40,202)	(40,202)	44,017	84,219
<i>Fund Balance Beginning of Year</i>	243,049	243,049	243,049	0
Prior Year Encumbrances Appropriated	40,202	40,202	40,202	0
<i>Fund Balance End of Year</i>	<u>\$243,049</u>	<u>\$243,049</u>	<u>\$327,268</u>	<u>\$84,219</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Pension Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$115,781	\$115,781	\$117,303	\$1,522
Intergovernmental	0	0	10,886	10,886
<i>Total Revenues</i>	115,781	115,781	128,189	12,408
Expenditures				
Current:				
Security of Persons and Property:				
Police Department:				
Other	700,000	700,000	587,999	112,001
<i>Excess of Revenues Over (Under) Expenditures</i>	(584,219)	(584,219)	(459,810)	124,409
Other Financing Sources (Uses)				
Transfers In	550,000	550,000	550,000	0
<i>Net Change in Fund Balance</i>	(34,219)	(34,219)	90,190	124,409
<i>Fund Balance Beginning of Year</i>	649,234	649,234	649,234	0
<i>Fund Balance End of Year</i>	<u>\$615,015</u>	<u>\$615,015</u>	<u>\$739,424</u>	<u>\$124,409</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Compensated Absences Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Current:				
General Government:				
Other General Government:				
Other	50,000	50,000	11,049	38,951
<i>Net Change in Fund Balance</i>	(50,000)	(50,000)	(11,049)	38,951
<i>Fund Balance Beginning of Year</i>	694,330	694,330	694,330	0
<i>Fund Balance End of Year</i>	<u>\$644,330</u>	<u>\$644,330</u>	<u>\$683,281</u>	<u>\$38,951</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Rainy Day Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	\$0
Expenditures	0	0	0	0
<i>Excess of Revenues Over (Under) Expenditures</i>	0	0	0	0
Other Financing Sources (Uses)				
Transfers In	100,000	100,000	100,000	0
<i>Net Change in Fund Balance</i>	100,000	100,000	100,000	0
<i>Fund Balance Beginning of Year</i>	900,000	900,000	900,000	0
<i>Fund Balance End of Year</i>	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$0</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Economic Development Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$0	\$126,300	\$126,329	\$29
Expenditures				
Current:				
General Government:				
Economic Development:				
Other	700,000	750,000	637,021	112,979
<i>Excess of Revenues Over (Under) Expenditures</i>	(700,000)	(623,700)	(510,692)	113,008
Other Financing Sources (Uses)				
Transfers In	600,000	600,000	600,000	0
<i>Net Change in Fund Balance</i>	(100,000)	(23,700)	89,308	113,008
<i>Fund Balance Beginning of Year</i>	125,905	125,905	125,905	0
Prior Year Encumbrances Appropriated	50,000	50,000	50,000	0
<i>Fund Balance End of Year</i>	<u>\$75,905</u>	<u>\$152,205</u>	<u>\$265,213</u>	<u>\$113,008</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Bond Retirement Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Debt Service:				
Interest and Fiscal Charges	5,000	5,000	0	5,000
<i>Net Change in Fund Balance</i>	(5,000)	(5,000)	0	5,000
<i>Fund Balance Beginning of Year</i>	50,932	50,932	50,932	0
<i>Fund Balance End of Year</i>	\$45,932	\$45,932	\$50,932	\$5,000

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Drain Water Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$0	\$199,400	\$10,500	(\$188,900)
Expenditures				
Capital Outlay	440,939	697,339	666,886	30,453
<i>Excess of Revenues Over (Under) Expenditures</i>	(440,939)	(497,939)	(656,386)	(158,447)
Other Financing Sources (Uses)				
Transfers In	300,000	549,400	549,400	0
<i>Net Change in Fund Balance</i>	(140,939)	51,461	(106,986)	(158,447)
<i>Fund Balance Beginning of Year</i>	56,583	56,583	56,583	0
Prior Year Encumbrances Appropriated	130,939	130,939	130,939	0
<i>Fund Balance End of Year</i>	<u>\$46,583</u>	<u>\$238,983</u>	<u>\$80,536</u>	<u>(\$158,447)</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Rockside Woods Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special Assessments	\$100	\$100	\$0	(\$100)
Expenditures				
Capital Outlay	100	100	0	100
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	164	164	164	0
<i>Fund Balance End of Year</i>	<u>\$164</u>	<u>\$164</u>	<u>\$164</u>	<u>\$0</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Issue II Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special Assessments	\$28,700	\$28,700	\$33,086	\$4,386
Expenditures				
Capital Outlay	1,000	1,000	0	1,000
Debt Service:				
Principal Retirement	42,700	42,700	42,691	9
Interest and Fiscal Charges	10,500	10,500	10,434	66
Total Debt Service	53,200	53,200	53,125	75
<i>Total Expenditures</i>	54,200	54,200	53,125	1,075
<i>Net Change in Fund Balance</i>	(25,500)	(25,500)	(20,039)	5,461
<i>Fund Balance Beginning of Year</i>	137,094	137,094	137,094	0
<i>Fund Balance End of Year</i>	\$111,594	\$111,594	\$117,055	\$5,461

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Public Safety Equipment Fund
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$0	\$0	\$13,716	\$13,716
Expenditures				
Capital Outlay	946,507	960,907	952,049	8,858
<i>Excess of Revenues Over (Under) Expenditures</i>	(946,507)	(960,907)	(938,333)	22,574
Other Financing Sources (Uses)				
Transfers In	285,600	300,000	300,000	0
<i>Net Change in Fund Balance</i>	(660,907)	(660,907)	(638,333)	22,574
<i>Fund Balance Beginning of Year</i>	11,667	11,667	11,667	0
Prior Year Encumbrances Appropriated	660,907	660,907	660,907	0
<i>Fund Balance End of Year</i>	<u>\$11,667</u>	<u>\$11,667</u>	<u>\$34,241</u>	<u>\$22,574</u>

City of Independence, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Route 21 and Pleasant Valley Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Debt Service:				
Principal Retirement	11,300	11,300	11,250	50
<i>Excess of Revenues Over (Under) Expenditures</i>	(11,300)	(11,300)	(11,250)	50
Other Financing Sources (Uses)				
Transfers In	11,500	11,500	11,500	0
<i>Net Change in Fund Balance</i>	200	200	250	50
<i>Fund Balance Beginning of Year</i>	1,345	1,345	1,345	0
<i>Fund Balance End of Year</i>	\$1,545	\$1,545	\$1,595	\$50

City of Independence, Ohio
Schedule of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
Insurance Fund
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Other	\$25,000	\$25,000	\$6,064	(\$18,936)
Expenses				
Contractual Services	51,000	51,000	50,798	202
Claims	312,997	312,997	195,684	117,313
<i>Total Expenses</i>	<u>363,997</u>	<u>363,997</u>	<u>246,482</u>	<u>117,515</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenses Before Advances and Transfers</i>	(338,997)	(338,997)	(240,418)	98,579
Advances In	555,000	555,000	555,000	0
Transfers In	<u>275,000</u>	<u>275,000</u>	<u>275,000</u>	<u>0</u>
<i>Net Change in Fund Equity</i>	491,003	491,003	589,582	98,579
<i>Fund Equity Beginning of Year</i>	1,008,216	1,008,216	1,008,216	0
Prior Year Encumbrances Appropriated	<u>63,997</u>	<u>63,997</u>	<u>63,997</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$1,563,216</u></u>	<u><u>\$1,563,216</u></u>	<u><u>\$1,661,795</u></u>	<u><u>\$98,579</u></u>

Statistical Section



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Statistical Section

This part of the City’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City’s overall financial health.

Contents	Page(s)
<i>Financial Trends</i>	<i>S2 – S9</i>
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	<i>S10 – S18</i>
These schedules contain information to help the reader assess the City’s most significant local revenue sources, the property tax and the municipal income tax.	
<i>Debt Capacity</i>	<i>S19 – S24</i>
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
<i>Economic and Demographic Information</i>	<i>S25 – S26</i>
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place.	
<i>Operating Information</i>	<i>S28 – S35</i>
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Financial Reports for the relevant year.

City of Independence, Ohio

Net Position by Component

Last Ten Years

(Accrual Basis of Accounting)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental Activities				
Net Investment in Capital Assets	\$78,544,131	\$75,112,616	\$75,013,690	\$70,074,840
Restricted:				
Capital Projects	12,649,662	7,059,950	8,807,685	7,906,956
Debt Service	7,805	0	0	0
State Highway	174,035	141,225	149,136	111,791
Street Construction, Maintenance and Repair	846,051	690,663	539,077	585,918
Police Pension	681,144	626,477	532,177	463,968
Other Purposes	282,001	354,824	248,778	210,794
Unrestricted (Deficit)	<u>2,397,236</u>	<u>7,494,703</u>	<u>(294,571)</u>	<u>(618,913)</u>
<i>Total Governmental Activities Net Position</i>	<u>\$95,582,065</u>	<u>\$91,480,458</u>	<u>\$84,995,972</u>	<u>\$78,735,354</u>

Note: In 2015, the City implemented GASB 68 which affected Unrestricted Net Position for 2014.
The City implemented GASB 54 in 2011, causing the classification of net position to change.

2013	2012	2011	2010	2009	2008
\$64,925,722	\$62,244,507	\$61,396,249	\$60,224,288	\$58,812,856	\$58,712,220
7,231,782	6,332,527	5,970,224	5,626,721	5,682,081	5,045,601
0	0	0	0	0	0
103,078	63,120	50,709	47,440	160,172	128,179
913,005	785,419	488,409	417,443	370,883	229,877
475,691	493,713	266,244	178,065	0	0
275,126	612,104	382,347	376,685	729,207	479,632
17,847,927	16,064,345	13,997,009	8,859,361	9,641,596	7,570,792
<u>\$91,772,331</u>	<u>\$86,595,735</u>	<u>\$82,551,191</u>	<u>\$75,730,003</u>	<u>\$75,396,795</u>	<u>\$72,166,301</u>

City of Independence, Ohio

Changes in Net Position

Last Ten Years

(Accrual Basis of Accounting)

	2017	2016	2015 (2)	2014
Program Revenues				
Governmental Activities:				
Charges for Services and Sales:				
General Government	\$422,384	\$390,744	\$396,719	\$377,216
Security of Persons and Property	685,495	666,445	606,527	562,774
Public Health and Welfare	24,535	26,534	17,350	23,565
Leisure Time Activities	665,636	696,312	603,786	559,216
Community Environment	259,837	236,571	236,479	198,060
Basic Utility Services	66,879	29,317	29,160	30,306
Transportation	49,462	51,358	56,063	45,279
Operating Grants and Contributions	2,883,237	658,459	524,252	493,672
Capital Grants and Assessments	352,701	122,246	1,189,630	1,567,822
<i>Total Government Activities Program Revenues</i>	<u>5,410,166</u>	<u>2,877,986</u>	<u>3,659,966</u>	<u>3,857,910</u>
Expenses				
Governmental Activities:				
General Government	12,449,390	9,239,305	9,037,847	8,650,919
Security of Persons and Property	10,502,201	10,377,823	8,961,555	9,005,655
Public Health and Welfare	68,850	58,324	48,133	78,417
Leisure Time Activities	4,138,515	3,798,602	3,684,540	3,767,299
Community Environment	4,052,023	3,542,366	3,543,729	3,096,160
Basic Utility Services	1,116,697	477,590	490,196	547,380
Transportation	3,662,443	3,832,243	4,669,027	4,465,226
Interest and Fiscal Charges	658,360	608,434	632,480	652,020
<i>Total Governmental Activities Expenses</i>	<u>36,648,479</u>	<u>31,934,687</u>	<u>31,067,507</u>	<u>30,263,076</u>
Net (Expense)/Revenue				
Governmental Activities	<u>(31,238,313)</u>	<u>(29,056,701)</u>	<u>(27,407,541)</u>	<u>(26,405,166)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities				
Property and Other Local Taxes Levied For (1):				
General Purposes	337,278	798,355	818,505	814,219
Debt Service	0	0	0	0
Other Purposes	53,254	125,714	131,059	129,669
Municipal Income Tax levied for General Purposes	31,470,365	30,809,785	28,691,285	24,615,423
Estate Taxes (2)	0	0	0	0
Hotel/Motel Tax Levied for General Purposes	1,368,052	1,438,252	1,356,711	1,319,446
Amusement Tax Levied for General Purposes	16,345	55,777	0	0
Grants and Entitlements not Restricted to Specific Programs	354,005	192,221	270,740	259,332
Investment Income	104,063	68,228	60,762	61,208
Payments in Lieu of Taxes	528,917	1,577,104	1,635,817	1,348,759
Miscellaneous	1,107,641	475,751	703,280	561,514
<i>Total Governmental Activities General Revenues</i>	<u>35,339,920</u>	<u>35,541,187</u>	<u>33,668,159</u>	<u>29,109,570</u>
Change in Governmental Activities Net Position	<u>\$4,101,607</u>	<u>\$6,484,486</u>	<u>\$6,260,618</u>	<u>\$2,704,404</u>

(1) Prior to 2010, estate taxes were included in grants and entitlements not restricted to specific programs.

(2) Expenses are first impacted by the implementation of GASB Statement No. 68 beginning in 2015.

2013	2012	2011	2010	2009	2008
\$414,541	\$306,760	\$292,763	\$458,491	\$306,346	\$228,665
516,590	537,653	491,945	660,947	427,036	426,786
20,244	24,625	32,305	29,091	35,615	80,519
67,118	456,211	447,776	544,419	467,713	497,839
194,238	125,813	99,303	164,973	100,143	110,965
36,172	28,388	23,449	38,713	26,540	24,477
548,161	76,006	33,168	56,584	33,412	38,807
603,478	534,869	448,183	503,565	471,385	509,418
114,562	95,572	387,666	126,493	161,639	32,489
<u>2,515,104</u>	<u>2,185,897</u>	<u>2,256,558</u>	<u>2,583,276</u>	<u>2,029,829</u>	<u>1,949,965</u>
8,587,665	8,505,708	8,703,896	8,438,678	7,220,679	6,550,823
8,389,502	8,572,099	8,350,722	8,589,758	8,391,597	8,812,839
110,014	96,354	93,610	92,233	86,508	146,451
3,463,666	3,470,342	3,345,289	3,290,294	3,236,299	3,350,070
2,739,330	2,492,457	2,130,225	2,297,512	2,193,992	2,514,940
570,714	578,200	913,604	899,624	735,732	705,039
3,199,635	3,754,236	4,546,613	3,748,132	4,375,394	4,669,006
764,052	1,098,008	386,620	1,225,360	1,279,989	1,418,440
<u>27,824,578</u>	<u>28,567,404</u>	<u>28,470,579</u>	<u>28,581,591</u>	<u>27,520,190</u>	<u>28,167,608</u>
<u>(25,309,474)</u>	<u>(26,381,507)</u>	<u>(26,214,021)</u>	<u>(25,998,315)</u>	<u>(25,490,361)</u>	<u>(26,217,643)</u>
868,418	877,092	900,223	719,362	1,167,611	1,016,192
0	0	0	220,812	368,719	318,699
134,216	138,482	128,505	111,137	184,358	170,232
26,429,663	25,743,991	24,050,310	21,115,584	23,982,611	22,488,246
0	0	4,785,946	550,909	0	0
1,293,185	1,188,902	1,072,995	981,164	939,861	1,150,342
0	11,078	8,268	15,273	18,078	18,027
757,689	404,523	457,658	747,657	789,889	1,548,168
68,148	89,027	75,505	120,620	143,810	368,767
1,094,482	1,289,281	934,263	1,279,283	669,941	1,880,535
366,333	683,675	621,536	469,722	455,977	723,407
<u>31,012,134</u>	<u>30,426,051</u>	<u>33,035,209</u>	<u>26,331,523</u>	<u>28,720,855</u>	<u>29,682,615</u>
<u>\$5,702,660</u>	<u>\$4,044,544</u>	<u>\$6,821,188</u>	<u>\$333,208</u>	<u>\$3,230,494</u>	<u>\$3,464,972</u>

City of Independence, Ohio
Fund Balances, Governmental Funds
Last Ten Years
(Modified Accrual Basis of Accounting)

	2017	2016	2015	2014
General Fund				
Reserved	\$0	\$0	\$0	\$0
Unreserved	0	0	0	0
Nonspendable	18,310,024	16,648,085	16,339,485	14,475,791
Assigned	2,475,871	2,148,860	1,081,128	2,469,127
Unassigned	10,818,370	8,847,647	5,037,506	4,227,716
Total General Fund	<u>31,604,265</u>	<u>27,644,592</u>	<u>22,458,119</u>	<u>21,172,634</u>
All Other Governmental Funds				
Reserved	0	0	0	0
Unreserved, Undesignated (Deficit), Reported in:				
Special Revenue funds	0	0	0	0
Debt Service funds	0	0	0	0
Capital Projects funds	0	0	0	0
Nonspendable	2,154	3,091	4,510	7,174
Restricted	14,000,427	11,223,004	9,644,441	8,703,905
Committed	533,145	478,845	417,280	355,523
Unassigned (Deficit)	<u>(27,923,733)</u>	<u>(17,384,288)</u>	<u>(14,332,066)</u>	<u>(12,423,277)</u>
Total All Other Governmental Funds	<u>(13,388,007)</u>	<u>(5,679,348)</u>	<u>(4,265,835)</u>	<u>(3,356,675)</u>
Total Governmental Funds	<u>\$18,216,258</u>	<u>\$21,965,244</u>	<u>\$18,192,284</u>	<u>\$17,815,959</u>

Note: The City implemented GASB 54 in 2011.

2013	2012	2011	2010	2009	2008
\$0	\$0	\$0	\$0	\$6,970,514	\$6,469,398
0	0	0	0	5,821,100	4,810,920
9,658,313	9,604,531	9,683,982	8,136,230	0	0
2,848,726	3,081,515	1,409,336	643,004	0	0
8,228,235	6,656,522	9,057,536	5,680,452	0	0
<u>20,735,274</u>	<u>19,342,568</u>	<u>20,150,854</u>	<u>14,459,686</u>	<u>12,791,614</u>	<u>11,280,318</u>
0	0	0	0	4,302,965	4,004,877
0	0	0	0	956,246	573,411
0	0	0	0	(7,647,339)	(7,267,284)
0	0	0	0	(393,020)	(32,682)
0	0	1,875,000	1,875,000	0	0
7,812,603	4,772,796	4,415,800	4,152,964	0	0
307,434	253,832	203,276	161,907	0	0
(9,149,791)	(8,628,368)	(10,369,372)	(9,255,698)	0	0
<u>(1,029,754)</u>	<u>(3,601,740)</u>	<u>(3,875,296)</u>	<u>(3,065,827)</u>	<u>(2,781,148)</u>	<u>(2,721,678)</u>
<u>\$19,705,520</u>	<u>\$15,740,828</u>	<u>\$16,275,558</u>	<u>\$11,393,859</u>	<u>\$10,010,466</u>	<u>\$8,558,640</u>

City of Independence, Ohio
Changes in Fund Balances, Governmental Funds
Last Ten Years
(Modified Accrual Basis of Accounting)

	2017	2016	2015	2014
Revenues				
Taxes (1)	\$33,443,423	\$32,863,392	\$30,002,321	\$26,344,858
Intergovernmental	3,586,708	1,010,882	1,921,663	2,409,871
Investment Income	79,860	52,886	50,096	45,874
Fees, Licenses and Permits	802,189	928,863	864,963	737,548
Fines and Forfeitures	424,521	358,482	311,054	259,754
Charges for Services	712,245	569,893	549,570	557,486
Rentals	235,273	240,043	220,497	241,628
Special Assessments	33,086	34,267	57,495	175,629
Payment in Lieu of Taxes	1,431,139	1,438,276	1,497,224	1,273,291
Miscellaneous	1,101,577	447,970	461,420	550,560
<i>Total Revenues</i>	<u>41,850,021</u>	<u>37,944,954</u>	<u>35,936,303</u>	<u>32,596,499</u>
Expenditures				
Current:				
General Government	7,946,192	5,412,864	5,855,234	5,549,948
Security of Persons and Property	9,171,683	8,876,769	8,303,665	8,313,475
Public Health and Welfare	58,523	56,141	48,085	76,612
Leisure Time Activities	3,621,031	3,527,981	3,529,611	3,449,266
Community Environment	3,611,465	3,330,249	3,422,437	2,942,887
Basic Utility Services	906,884	412,156	420,393	448,869
Transportation	1,783,539	2,537,295	2,606,959	2,589,496
Capital Outlay	9,795,563	9,338,664	12,814,813	8,431,969
Debt Service:				
Principal Retirement	1,839,458	1,696,531	1,572,078	1,540,123
Refunded Notes Redeemed	5,700,000	3,950,000	4,300,000	4,700,000
Interest and Fiscal Charges	802,768	652,432	682,233	719,884
Debt Issuance Costs	86,901	52,907	18,631	124,813
<i>Total Expenditures</i>	<u>45,324,007</u>	<u>39,843,989</u>	<u>43,574,139</u>	<u>38,887,342</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,473,986)</u>	<u>(1,899,035)</u>	<u>(7,637,836)</u>	<u>(6,290,843)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	0	0
Current Refunding	0	0	0	0
Refunding Notes Issued	0	3,600,000	3,950,000	4,300,000
General Obligation Refunding Bonds Issued	0	0	0	4,305,000
General Obligation Notes Issued	0	2,100,000	0	0
OPWC Loan Issued	0	0	4,164,161	0
OWDA Loan Issued	0	0	0	0
Premium on General Obligation Bonds	0	0	0	299,647
Premium on Refunding Notes	0	24,990	0	0
Premium on Notes	0	47,005	0	0
Payment to Refunded Bond Escrow Agent	0	0	0	(4,503,365)
Transfers In	9,514,900	8,580,625	9,416,500	7,821,500
Transfers Out	(9,789,900)	(8,680,625)	(9,516,500)	(7,821,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(275,000)</u>	<u>5,671,995</u>	<u>8,014,161</u>	<u>4,401,282</u>
<i>Net Change in Fund Balances</i>	<u>(\$3,748,986)</u>	<u>\$3,772,960</u>	<u>\$376,325</u>	<u>(\$1,889,561)</u>
Debt Service as a Percentage of Noncapital Expenditures	22.4%	19.9%	19.9%	21.6%

(1) Includes All Taxes

2013	2012	2011	2010	2009	2008
\$28,297,945	\$27,059,648	\$30,438,989	\$24,505,900	\$24,760,639	\$25,645,624
1,338,264	821,712	1,453,994	1,802,980	1,463,683	2,028,911
65,759	65,720	75,505	67,424	75,323	245,344
674,645	665,541	674,082	749,258	639,937	691,127
304,447	323,332	320,814	552,602	462,930	378,855
590,273	312,093	275,753	393,243	50,765	83,205
227,699	221,322	150,060	258,115	243,173	254,871
50,442	54,732	51,439	58,064	89,812	54,539
1,307,885	914,807	1,388,145	1,033,254	1,272,801	770,376
366,333	683,675	621,536	469,722	446,465	723,407
<u>33,223,692</u>	<u>31,122,582</u>	<u>35,450,317</u>	<u>29,890,562</u>	<u>29,505,528</u>	<u>30,876,259</u>
6,165,368	5,689,973	6,057,103	5,832,145	5,785,603	5,356,297
7,164,583	8,078,230	8,049,439	8,343,766	8,100,541	8,450,592
101,608	95,769	92,369	92,021	86,508	96,797
3,310,319	3,297,852	3,268,970	3,237,635	3,187,729	3,313,837
2,687,884	2,430,958	2,057,304	2,241,800	2,136,723	2,472,765
499,164	546,855	496,390	526,243	565,095	552,082
2,599,750	2,359,506	2,301,417	2,534,624	2,390,799	2,725,884
4,963,406	5,413,460	6,633,360	3,693,599	1,905,592	4,511,425
1,128,199	248,277	1,485,600	1,445,553	1,390,398	1,365,248
4,500,000	7,100,000	0	0	1,200,000	600,000
840,930	931,817	900,657	1,260,627	1,330,508	1,579,585
33,979	39,867	231,073	43,200	0	0
<u>33,995,190</u>	<u>36,232,564</u>	<u>31,573,682</u>	<u>29,251,213</u>	<u>28,079,496</u>	<u>31,024,512</u>
<u>(771,498)</u>	<u>(5,109,982)</u>	<u>3,876,635</u>	<u>639,349</u>	<u>1,426,032</u>	<u>(148,253)</u>
0	0	0	0	20,125	3,936
0	0	(6,600,000)	(5,900,000)	(5,900,000)	(7,100,000)
4,700,000	4,500,000	7,100,000	6,600,000	5,900,000	7,100,000
0	0	16,935,000	0	0	0
0	0	0	0	0	0
0	0	225,000	0	0	0
0	42,852	9,668	0	0	0
0	0	959,129	44,044	5,669	0
36,190	32,400	82,573	0	0	0
0	0	0	0	0	0
0	0	(17,706,306)	0	0	0
9,631,100	9,817,000	8,375,800	8,376,500	5,576,485	7,669,000
<u>(9,631,100)</u>	<u>(9,817,000)</u>	<u>(8,375,800)</u>	<u>(8,376,500)</u>	<u>(5,576,485)</u>	<u>(7,669,000)</u>
<u>4,736,190</u>	<u>4,575,252</u>	<u>1,005,064</u>	<u>744,044</u>	<u>25,794</u>	<u>3,936</u>
<u>\$3,964,692</u>	<u>(\$534,730)</u>	<u>\$4,881,699</u>	<u>\$1,383,393</u>	<u>\$1,451,826</u>	<u>(\$144,317)</u>
21.5%	25.7%	8.7%	10.1%	14.6%	13.4%

City of Independence, Ohio
Assessed Valuation and Estimated Actual Values of Taxable Property
Last Ten Years

Collection Year	Real Property			Tangible Personal Property	
	Assessed Value		Estimated Actual Value	Public Utility	
	Residential/ Agricultural	Commercial Industrial/PU		Assessed Value	Estimated Actual Value
2017	\$252,851,300	\$173,420,510	\$1,217,919,457	\$22,521,000	\$25,592,045
2016	251,749,270	181,909,760	1,239,025,800	20,192,650	22,946,193
2015	240,611,760	198,450,590	1,254,463,857	18,952,480	21,536,909
2014	239,083,160	199,757,400	1,253,830,171	17,533,550	19,924,489
2013	239,574,100	200,039,350	1,256,038,429	16,106,220	18,302,523
2012	247,790,560	216,815,880	1,327,446,971	14,613,270	16,605,989
2011	246,724,180	219,933,400	1,333,307,371	13,884,090	15,777,375
2010	245,966,560	223,875,870	1,342,406,943	12,934,290	14,698,057
2009	247,400,130	233,371,680	1,373,633,743	11,424,750	12,982,670
2008	246,146,200	249,354,240	1,415,715,543	11,074,010	12,584,102

Real property is reappraised every six years with a State mandated update of the current market value in the third year following each reappraisal.

The assessed value of real property (including public utility real property) is 35 percent of estimated true value. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property tax has been phased out, and during the phase out period, all general business tangible personal property was assessed at 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies, at 5 percent for 2010. No tangible personal property taxes were levied or collected in 2009 from general business taxpayers, (except telephone companies whose last year to pay tangible personal property tax was 2010).

The tangible personal property values associated with each year were the values that, when multiplied by the applicable rates, generated the property tax revenue billed in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by a 10 percent and a 2 1/2 percent rollback, and homestead exemptions before being billed.

Source: Cuyahoga County, Ohio; County Fiscal Officer

<u>Tangible Personal Property</u>					
<u>General Business</u>		<u>Total</u>			
<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Ratio</u>	<u>Tax Rate</u>
\$0	\$0	\$448,792,810	\$1,243,511,502	36.09%	\$2.20
0	0	453,851,680	1,261,971,993	35.96	2.20
0	0	458,014,830	1,276,000,766	35.89	2.20
0	0	456,374,110	1,273,754,660	35.83	2.20
0	0	455,719,670	1,274,340,952	35.76	2.20
0	0	479,219,710	1,344,052,960	35.65	2.20
0	0	480,541,670	1,349,084,746	35.62	2.20
0	0	482,776,720	1,357,105,000	35.57	2.60
8,866,450	141,863,200	501,063,010	1,528,479,613	32.78	2.80
32,265,242	258,121,936	538,839,692	1,686,421,581	31.95	2.80

City of Independence, Ohio
Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 of Assessed Valuation)
Last Ten Years

	2017	2016	2015	2014
Unvoted Millage				
Operating	\$1.9000	\$1.9000	\$1.9000	\$1.9000
Police Pension	0.3000	0.3000	0.3000	0.3000
<i>Total Unvoted Millage</i>	2.2000	2.2000	2.2000	2.2000
Charter Millage				
1990 Civic Center	0.0000	0.0000	0.0000	0.0000
Total Millage	\$2.2000	\$2.2000	\$2.2000	\$2.2000
Overlapping Rates by Taxing District				
Independence Local School District				
Residential/Agricultural Real	\$34.7329	\$34.1022	\$34.3753	\$34.5646
Commercial/Industrial and Public Utility Real	36.5959	36.1000	35.8000	36.0000
General Business and Public Utility Personal	36.7000	36.1000	35.8000	36.0000
Cuyahoga Valley Career Center				
Residential/Agricultural Real	2.0000	2.0000	2.0000	2.0000
Commercial/Industrial and Public Utility Real	2.0000	2.0000	2.0000	2.0000
General Business and Public Utility Personal	2.0000	2.0000	2.0000	2.0000
Cuyahoga County				
Residential/Agricultural Real	13.8802	13.8698	14.0500	14.0500
Commercial/Industrial and Public Utility Real	14.0124	14.0500	14.0195	13.9495
General Business and Public Utility Personal	14.0500	14.0500	14.0500	14.0500
Special Taxing Districts (1)				
Residential/Agricultural Real	9.2408	9.2368	9.3643	8.4639
Commercial/Industrial and Public Utility Real	9.3438	9.3676	9.3401	8.3843
General Business and Public Utility Personal	9.3800	9.3800	9.3800	8.4800

Source: Cuyahoga County Fiscal Officer

Note: The rates presented for a particular calendar year are the rates that, when applied to the assessed values presented in the Assessed Value Table, generated the property tax revenue billed in that year.

The City's basic property tax rate may be increased only by a majority vote of the City residents.

Charter millage is consistently applied to all types of property as opposed to the voted levies of the overlapping taxing districts.

Overlapping rates are those of local and county governments that apply to property owners within the City.

(1) Metro Parks, Port Authority, County Library, Community College

2013	2012	2011	2010	2009	2008
\$1.9000	\$1.9000	\$1.9000	\$1.9000	\$1.9000	\$1.9000
0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
2.2000	2.2000	2.2000	2.2000	2.2000	2.2000
0.0000	0.0000	0.4000	0.6000	0.6000	0.6000
\$2.2000	\$2.2000	\$2.6000	\$2.8000	\$2.8000	\$2.8000
\$33.7028	\$32.9393	\$29.8969	\$30.0066	\$29.2736	\$29.3471
35.2000	34.0233	30.9096	30.8481	29.7397	29.8340
35.2000	34.9000	31.9000	32.0000	31.4000	31.5000
2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
13.2200	13.1182	13.1866	13.1789	12.6607	11.8688
12.9968	12.7846	12.8412	12.8457	12.8153	12.4535
13.2200	13.2200	13.3200	13.3200	13.3200	13.4200
7.5635	7.5041	7.4900	7.0068	6.6597	5.9676
7.4621	7.3649	7.3450	6.9119	6.8911	6.2519
7.5800	7.5800	7.5800	7.2800	7.2800	6.7800

City of Independence, Ohio
Property Tax Levies and Collections
Last Ten Years

Year	Total Tax Levy	Current Tax Collections	Percent of Current Tax Collections to Tax Levy	Delinquent Tax Collections
2017	\$1,011,000	\$940,056	92.98%	\$19,378
2016	997,992	919,113	92.10	18,901
2015	1,008,975	932,934	92.46	22,666
2014	1,005,375	888,506	88.38	30,503
2013	1,005,183	941,152	93.63	26,167
2012	2,959,604	2,046,598	69.15	79,049
2011	3,169,416	2,125,508	67.06	229,454
2010	3,266,698	2,180,929	66.76	193,620
2009	2,522,246	2,352,209	93.26	235,807
2008	2,734,423	2,076,969	75.96	32,721

Source: Cuyahoga County, Ohio; County Fiscal Officer

Note: The County's current operating system does not track delinquency tax collections by tax year. Outstanding delinquencies are tracked in total by the date the parcel is first certified delinquent. Penalties and interest are applied to the total outstanding delinquent balance.

(1) State reimbursement of rollback and homestead exemptions are included.

<u>Total Tax Collections (1)</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Accumulated Outstanding Delinquent Taxes</u>	<u>Percentage of Delinquent Taxes to Total Tax Levy</u>
\$959,434	94.90%	\$36,998	3.66%
938,014	93.99	506,692	50.77
955,600	94.71	442,852	43.89
919,009	91.41	372,888	37.09
967,319	96.23	346,308	34.45
2,125,647	71.82	837,915	28.31
2,354,962	74.30	808,231	25.50
2,374,549	72.69	939,371	28.76
2,588,016	102.61	1,145,874	45.43
2,109,690	77.15	668,816	24.46

City of Independence, Ohio
Principal Real Property Taxpayers
 2017 and 2008

<u>2017</u>		
<u>Taxpayer</u>	<u>Real Property Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Park Center Plaza LP	\$16,625,010	3.90 %
Cleveland -Cuyahoga County Port Authority	14,700,000	3.45
Cleveland Electric Illuminating Company	12,036,930	2.82
Summit Cleveland Realty LP	9,275,010	2.18
Rockside-77 Properties LLC	9,135,010	2.14
AHIP OH Cleveland Properties LLC	8,960,000	2.10
City of Independence	7,107,670	1.67
American Transmission System	7,038,070	1.65
Corporate Plaza LP	6,691,980	1.57
OH-6 FO Cleveland Independence Property	6,324,260	1.48
Total	\$97,893,940	22.97 %
Total Real Property Assessed Valuation	\$426,271,810	

<u>2008</u>		
<u>Taxpayer</u>	<u>Real Property Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Duke Realty Ohio	\$27,330,260	5.52 %
Cleveland Clinic	12,940,730	2.61
Rockside-77 Properties LLC	12,822,680	2.59
Cleveland Electric Illuminating Company	8,183,120	1.65
Summit Office Park LTD	7,746,840	1.56
JDI Oak Tree Holdings LLC	7,390,290	1.49
AP/AM Independence Suites LLC	7,012,010	1.42
Jagi Cleveland Independence LLC	6,865,090	1.39
Ohio College of Podiatric	6,599,010	1.33
Independence Research	6,475,010	1.31
Total	\$103,365,040	20.86 %
Total Real Property Assessed Valuation	\$495,500,440	

Source: Cuyahoga County Fiscal Officer

City of Independence, Ohio
Income Tax Revenue Base and Collections
Last Ten Years

<u>Tax Year</u>	<u>Tax Rate (1)</u>	<u>Total Tax Collected (2)</u>	<u>Taxes from Withholding</u>	<u>Percentage of Taxes from Withholding</u>	<u>Taxes From Net Profits</u>	<u>Percentage of Taxes from Net Profits</u>	<u>Taxes From Individuals</u>	<u>Percentage of Taxes from Individuals</u>
2017	2.00%	\$31,470,365	\$26,872,545	85.39%	\$3,553,004	11.29%	\$1,044,816	3.32%
2016	2.00	30,809,785	26,293,071	85.34	3,395,238	11.02	1,121,476	3.64
2015	2.00	28,691,285	24,396,200	85.03	3,110,135	10.84	1,184,950	4.13
2014	2.00	24,615,423	21,248,033	86.32	2,424,619	9.85	942,771	3.83
2013	2.00	26,429,663	22,393,040	84.73	3,107,726	11.76	928,897	3.51
2012	2.00	25,743,991	21,957,050	85.29	2,777,777	10.79	1,009,164	3.92
2011	2.00	24,050,310	21,013,688	87.37	2,119,560	8.82	917,062	3.81
2010	2.00	21,115,584	18,391,674	87.10	1,942,634	9.20	781,276	3.70
2009	2.00	23,982,611	20,306,077	84.67	2,724,424	11.36	952,110	3.97
2008	2.00	22,488,246	19,307,516	85.86	2,228,793	9.91	951,937	4.23

(1) The City's basic income tax rate may only be increased by a majority vote of the City's residents.

(2) Accrual basis.

City of Independence, Ohio
Income Tax Filers by Income Level
Tax Years 2017 and 2008

Tax Year 2017 (1)				
Income Range	Number of Filers	Percent of Filers	Taxable Income	Percent of Taxable Income
Over \$100,000	570	31.75 %	\$111,434,489	70.76 %
75,001-100,000	178	9.92	15,279,596	9.70
50,001-75,000	255	14.21	15,991,593	10.16
25,000-50,000	269	14.99	9,979,936	6.34
Under 25,000	523	29.13	4,779,293	3.04
Total	<u>1,795</u>	<u>100.00 %</u>	<u>\$157,464,907</u>	<u>100.00 %</u>

Tax Year 2008				
Income Range	Number of Filers	Percent of Filers	Taxable Income	Percent of Taxable Income
Over \$100,000	636	23.11 %	\$120,267,597	59.96 %
75,001-100,000	340	12.35	29,641,349	14.78
50,001-75,000	395	14.35	24,440,333	12.18
25,000-50,000	495	17.99	18,105,508	9.03
Under 25,000	886	32.20	8,130,529	4.05
Total	<u>2,752</u>	<u>100.00 %</u>	<u>\$200,585,316</u>	<u>100.00 %</u>

Sources: Regional Income Tax data - certain amounts may be estimates

(1) Represents tax returns filed for tax year 2016

Note: Number of filers does not equal total taxpayers due to taxpayers paying City taxes through employer withholding only without having a filing requirement.

City of Independence, Ohio
*Ratio of General Obligation Bonded Debt to Estimated Actual
 Values of Taxable Property and Bonded Debt Per Capita
 Last Ten Years*

Year	Gross Bonded Debt	Estimated Actual Values of Taxable Property	Ratio of Bonded Debt to Estimated Actual Value of Taxable Property	Bonded Debt per Capita
2017	\$15,274,188	\$1,243,511,502	1.23%	\$2,147
2016	16,972,574	1,261,971,993	1.34	2,386
2015	18,620,960	1,276,000,766	1.46	2,583
2014	20,253,380	1,273,754,660	1.59	2,825
2013	21,540,762	1,274,340,952	1.69	3,019
2012	22,706,384	1,344,052,960	1.69	3,206
2011	22,947,006	1,349,084,746	1.70	3,217
2010	23,983,905	1,357,105,000	1.77	3,362
2009	25,439,723	1,528,479,613	1.66	3,579
2008	26,840,541	1,686,421,581	1.59	3,776

Note: Population is presented on page S25.

Although the general obligation bond retirement fund is restricted for debt service, it is not specifically restricted to the payment of principal. Therefore, those resources are not shown as a deduction from general obligation bonded debt.

City of Independence, Ohio
*Ratio of Outstanding Debt to
Total Personal Income and Debt Per Capita
Last Ten Years*

Fiscal Year	General Obligation Bonds	Special Assessment Bonds	OPWC Loans	OWDA Loans	Notes Payable
2017	\$15,274,188	\$0	\$4,014,974	\$0	\$0
2016	16,972,574	0	4,234,432	0	5,717,998
2015	18,620,960	0	4,349,786	11,177	3,950,000
2014	20,253,380	0	196,875	22,005	4,300,000
2013	21,540,762	0	211,509	32,494	4,712,069
2012	22,706,384	0	229,526	42,676	4,510,800
2011	22,947,006	0	241,918	4,785	7,127,524
2010	23,983,905	522,222	23,685	0	6,614,681
2009	25,439,723	554,074	30,452	0	5,901,889
2008	26,840,541	585,926	37,219	0	7,100,000

Note: Population and Personal Income data are presented on page S25.

<u>Total</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$19,289,162	6.55 %	\$2,711
26,925,004	10.16	3,785
26,931,923	10.46	3,757
24,772,260	10.02	3,471
26,496,834	11.45	3,741
27,489,386	11.08	3,854
30,321,233	13.10	4,251
31,144,493	13.94	4,381
31,926,138	11.20	4,491
34,563,686	12.13	4,862

City of Independence, Ohio

Legal Debt Margin

Last Ten Years

	2017	2016	2015	2014
Total Assessed Property Value	<u>\$448,792,810</u>	<u>\$453,851,680</u>	<u>\$458,014,830</u>	<u>\$456,374,110</u>
Overall Legal Debt Limit (10 ½ % of Assessed Valuation)	<u>\$47,123,245</u>	<u>\$47,654,426</u>	<u>\$48,091,557</u>	<u>\$47,919,282</u>
Debt Outstanding:				
General Obligation Bonds	14,450,000	16,070,000	17,640,000	19,190,000
Special Assessment Bonds	0	0	0	0
OPWC Loans	4,014,974	4,234,432	4,349,786	196,875
OWDA Loan	0	0	11,177	22,005
Notes	<u>12,150,000</u>	<u>12,550,000</u>	<u>4,300,000</u>	<u>4,700,000</u>
Total Gross Indebtedness	30,614,974	32,854,432	26,300,963	24,108,880
Less:				
General Obligation Bonds	(3,740,000)	(3,980,000)	(4,215,000)	(4,445,000)
Special Assessment Bonds	0	0	0	0
OPWC Loans	<u>(4,014,974)</u>	<u>(4,234,432)</u>	<u>(4,349,786)</u>	<u>(196,875)</u>
Total Net Debt Applicable to Debt Limit	<u>22,860,000</u>	<u>24,640,000</u>	<u>17,736,177</u>	<u>19,467,005</u>
Legal Debt Margin Within 10 ½ % Limitations	<u>\$24,263,245</u>	<u>\$23,014,426</u>	<u>\$30,355,380</u>	<u>\$28,452,277</u>
Legal Debt Margin as a Percentage of the Debt Limit	51.49%	48.29%	63.12%	59.38%
Unvoted Debt Limitation (5 ½ % of Assessed Valuation)	<u>\$24,683,605</u>	<u>\$24,961,842</u>	<u>\$25,190,816</u>	<u>\$25,100,576</u>
Gross Indebtedness	30,614,974	32,854,432	26,300,963	24,108,880
Less:				
General Obligation Bonds	(3,740,000)	(3,980,000)	(4,215,000)	(4,445,000)
Special Assessment Bonds	0	0	0	0
OPWC Loans	<u>(4,014,974)</u>	<u>(4,234,432)</u>	<u>(4,349,786)</u>	<u>(196,875)</u>
Net Debt Within 5 ½ % Limitations	<u>22,860,000</u>	<u>24,640,000</u>	<u>17,736,177</u>	<u>19,467,005</u>
Unvoted Legal Debt Margin Within 5 ½ % Limitations	<u>\$1,823,605</u>	<u>\$321,842</u>	<u>\$7,454,639</u>	<u>\$5,633,571</u>
Unvoted legal Debt Margin as a Percentage of the Unvoted Debt Limitation	7.39%	1.29%	29.59%	22.44%

Source: City Financial Records

2013	2012	2011	2010	2009	2008
<u>\$455,719,670</u>	<u>\$479,219,710</u>	<u>\$480,541,670</u>	<u>\$482,776,720</u>	<u>\$501,063,010</u>	<u>\$538,839,692</u>
<u>\$47,850,565</u>	<u>\$50,318,070</u>	<u>\$50,456,875</u>	<u>\$50,691,556</u>	<u>\$52,611,616</u>	<u>\$56,578,168</u>
20,620,000	21,720,000	21,895,000	23,235,000	24,640,000	25,990,000
0	0	0	500,000	530,000	560,000
211,509	229,526	241,918	23,685	30,452	37,219
32,494	42,676	4,785	0	0	0
<u>5,450,000</u>	<u>6,800,000</u>	<u>7,100,000</u>	<u>7,700,000</u>	<u>7,100,000</u>	<u>7,700,000</u>
26,314,003	28,792,202	29,241,703	31,458,685	32,300,452	34,287,219
(4,605,000)	(4,785,000)	(4,960,000)	(12,255,000)	(12,675,000)	(13,075,000)
0	0	0	(500,000)	(530,000)	(560,000)
<u>(211,509)</u>	<u>(229,526)</u>	<u>(241,918)</u>	<u>(23,685)</u>	<u>(30,452)</u>	<u>(37,219)</u>
<u>21,497,494</u>	<u>23,777,676</u>	<u>24,039,785</u>	<u>18,680,000</u>	<u>19,065,000</u>	<u>20,615,000</u>
<u>\$26,353,071</u>	<u>\$26,540,394</u>	<u>\$26,417,090</u>	<u>\$32,011,556</u>	<u>\$33,546,616</u>	<u>\$35,963,168</u>
55.07%	52.75%	52.36%	63.15%	63.76%	63.56%
<u>\$25,064,582</u>	<u>\$26,357,084</u>	<u>\$26,429,792</u>	<u>\$26,552,720</u>	<u>\$27,558,466</u>	<u>\$29,636,183</u>
26,314,003	28,792,202	29,241,703	31,458,685	32,300,452	34,287,219
(4,605,000)	(4,785,000)	(4,960,000)	(12,255,000)	(12,675,000)	(13,075,000)
0	0	0	(500,000)	(530,000)	(560,000)
<u>(211,509)</u>	<u>(229,526)</u>	<u>(241,918)</u>	<u>(23,685)</u>	<u>(30,452)</u>	<u>(37,219)</u>
<u>21,497,494</u>	<u>23,777,676</u>	<u>24,039,785</u>	<u>18,680,000</u>	<u>19,065,000</u>	<u>20,615,000</u>
<u>\$3,567,088</u>	<u>\$2,579,408</u>	<u>\$2,390,007</u>	<u>\$7,872,720</u>	<u>\$8,493,466</u>	<u>\$9,021,183</u>
14.23%	9.79%	9.04%	29.65%	30.82%	30.44%

City of Independence, Ohio
*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2017*

	Debt Attributable to Governmental Activities	Percentage Applicable to City (1)	Amount of Direct and Overlapping Debt
Direct Debt:			
City of Independence			
General Obligation Bonds	\$15,274,188	100.00 %	\$15,274,188
OPWC Loan	<u>4,014,974</u>	100.00	<u>4,014,974</u>
<i>Total Direct Debt</i>	<u>19,289,162</u>		<u>19,289,162</u>
Overlapping Debt:			
Independence Local School District			
General Obligation Bonds	13,171,246	100.00	13,171,246
Cuyahoga County			
General Obligation Bonds	222,259,855	1.65	3,667,288
Revenue Bonds	712,717,846	1.65	11,759,844
Certificates of Participation	246,517,627	1.65	4,067,541
Loans Payable	1,677,337	1.65	27,676
Capital Lease Obligations	361,144,312	1.65	5,958,881
Greater Cleveland Regional Transit Authority			
General Obligation Bonds	<u>140,323,087</u>	1.65	<u>2,315,331</u>
<i>Total Overlapping Debt</i>	<u>1,697,811,310</u>		<u>40,967,807</u>
<i>Total Direct and Overlapping Debt</i>	<u><u>\$1,717,100,472</u></u>		<u><u>\$60,256,969</u></u>

Source: Office of the Fiscal Officer, Cuyahoga County, Ohio

- (1) Percentages were determined by dividing the assessed valuation of the overlapping government located within the boundaries of the City by the total assessed valuation of the government. The valuations used were for the 2017 collection year.

City of Independence, Ohio
Demographic and Economic Statistics
Last Ten Years

Year	Population (1)	Total Personal Income (2)	Personal Income Per Capita (2)	Median Family Income (1)	Unemployment Rate (3)		City Square Miles (4)
					Cuyahoga County	State of Ohio	
2017	7,114	\$294,697,450	\$41,425	\$84,900	4.8%	4.8%	9.73
2016	7,114	265,053,412	37,258	75,566	5.4	4.9	9.73
2015	7,209	257,570,361	35,729	74,411	5.0	4.9	9.73
2014	7,169	247,258,810	34,490	67,471	5.5	5.1	9.73
2013	7,136	231,484,704	32,439	73,403	7.2	7.1	9.73
2012	7,083	248,117,490	35,030	70,432	6.6	6.8	9.73
2011	7,133	231,387,387	32,439	73,403	7.1	8.7	9.73
2010	7,133	223,448,358	31,326	69,727	8.6	10.1	9.73
2009	7,109	285,000,000	40,090	65,059	9.0	10.2	9.73
2008	7,109	285,000,000	40,090	65,059	7.1	6.5	9.73

(1) Years 2007-2009 - U.S. Census Bureau 2000; 2010-2011 - U.S. Census Bureau 2010; 2012-2017 City estimates

(2) City estimates

(3) Ohio Bureau of Employment Services; U.S. Department of Labor, Bureau of Labor Statistics

(4) City Records

City of Independence, Ohio

Principal Employers

2017 and 2008

2017			
Employer	Nature of Activity	Employees	Percentage of Total City Employment
Cleveland Clinic Foundation	Health Care	2,359	10.89 %
City of Independence	Municipality	502	2.32
L D Kichler Co	Lighting Products	466	2.15
SIRVA INC	Mortgage Company	385	1.78
Independence Local School District	Education	332	1.53
Airgas USA LLC	Gas Industry	331	1.53
Farmers Group Incorporated	Insurance Company	311	1.44
Travelers Indemnity Company	Insurance Company	228	1.05
Nations Lending Corporation	Mortgage Company	222	1.02
CSA International	Testing & Certification	199	0.92
Total		5,335	24.62 %
Total Employment within the City		21,668	

2008			
Employer	Nature of Activity	Employees	Percentage of Total City Employment
Cleveland Clinic Foundation	Health Care	1,885	9.41 %
City of Independence	Municipality	479	2.39
L D Kichler Co	Lighting Products	445	2.22
Avtron Manufacturing Incorporated	Manufacturing	335	1.67
Farmers Underwriters Association	Insurance	271	1.35
Travelers Indemnity Company	Insurance Company	266	1.33
ADP LLC	Payroll Processing	251	1.25
Cellco Partnership	Communication	190	0.95
Ferro Corporation & Subsidiary	Manufacturing	160	0.80
Novastar	Mortgage Company	146	0.73
Honeywell International	Manufacturing	137	0.69
Total		4,565	22.79 %
Total Employment within the City		20,028	

Source: Regional Income Tax Agency and a survey conducted by the City

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City of Independence, Ohio
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Years

Function/Program	2017	2016	2015	2014
General Government				
Council	4.50	4.50	4.50	4.50
Mayor	1.50	1.50	3.50	3.50
Finance	4.00	3.00	3.50	3.00
Purchasing	1.00	1.00	1.00	1.00
Mayor's Court	3.50	3.50	3.00	3.00
Technology	2.00	2.00	2.00	2.00
Engineering	5.00	5.00	5.50	4.50
Administrative Support	4.00	4.00	7.50	5.00
Security of Persons and Property				
Police	48.50	47.00	46.50	47.50
Fire	28.00	27.50	28.00	24.50
Leisure Time Activities				
Recreation Center	52.50	54.50	51.50	50.00
Community Services	17.50	18.00	17.00	14.00
Community Environment				
Building Inspection	4.00	3.00	4.50	5.00
Transportation				
Service and Technical Service	39.00	40.00	40.00	41.00
Totals:	<u>215.00</u>	<u>214.50</u>	<u>218.00</u>	<u>208.50</u>

Method: Using 1.0 for each full-time employee and 0.50 for each part-time and seasonal employee as of December 31.

Source: City Records

2013	2012	2011	2010	2009	2008
4.50	5.00	5.00	5.00	5.00	5.50
2.50	2.50	2.50	2.50	2.50	2.50
3.50	3.50	3.50	4.00	4.00	4.00
1.00	1.50	1.50	1.00	1.00	1.00
3.00	3.00	3.00	3.00	3.00	3.00
2.00	2.00	1.00	1.00	1.00	1.00
4.00	4.00	4.00	3.00	3.00	1.50
5.00	4.50	4.00	4.00	4.00	4.00
47.50	48.00	50.00	51.00	51.00	53.50
24.50	26.50	28.00	28.00	28.00	27.00
50.00	45.00	49.00	42.50	42.50	47.00
14.00	15.00	16.00	23.50	23.50	22.00
4.00	5.50	3.00	3.00	3.00	5.00
42.00	45.00	50.50	51.00	51.00	47.00
<u>207.50</u>	<u>211.00</u>	<u>221.00</u>	<u>222.50</u>	<u>222.50</u>	<u>224.00</u>

City of Independence, Ohio
Capital Assets Statistics by Function/Program
Last Ten Years

Function/Program	2017	2016	2015	2014
General Government				
Square Footage of Building (1)	35,200	35,200	35,200	35,200
Building Department Vehicles	2.0	1.5	1.5	4
Other Department Vehicles	7	8	7	5
Police				
Stations	1	1	1	1
Square Footage of Building (1)	35,200	35,200	35,200	35,200
Vehicles	35	31	35	39
Fire				
Stations	1	1	1	1
Square Footage of Building	19,350	19,350	19,350	19,350
Vehicles	13	13	13	13
Service Department				
Streets (miles)	52	52	52	52
Vehicles	43	45	43	53
Recreation				
Recreation Centers	2	2	2	2
New Recreation Center Square Footage (2)	82,000	82,000	82,000	82,000
Old Recreation Facility Square Footage	7,570	7,570	7,570	7,570
Number of Parks	1	1	1	1
Number of Baseball Diamonds	6	6	6	6
Number of Playgrounds	2	2	2	2
Number of Tennis Courts	4	4	4	5
Number of Pickle Ball Courts	6	6	6	0
Number of Horse Shoe Pitts	6	6	6	0
Number of Bocce Ball Courts	3	3	3	0
Number of Full Sized Soccer Fields	3	3	3	3
Vehicles	4	4	4	3
Community Services				
Community Services Center Square Footage (2)	82,000	82,000	82,000	82,000
Vehicles	9	10	9	7

(1) The City Hall and Police Station reside in the same building.

(2) The Recreation Center and the Community Services Center reside in the same building.

Source: City Records

2013	2012	2011	2010	2009	2008
35,200	35,200	35,200	35,200	35,200	35,200
4	4	3	3	3	3
5	5	8	0	0	0
1	1	1	1	1	1
35,200	35,200	35,200	35,200	35,200	35,200
39	39	37	37	44	45
1	1	1	1	1	1
19,350	19,350	19,350	19,350	19,350	19,350
13	13	12	11	12	12
52	52	52	52	52	52
53	53	56	55	60	62
2	2	2	2	2	2
82,000	82,000	82,000	82,000	82,000	82,000
7,570	7,570	7,570	7,570	7,570	7,570
1	1	1	1	1	1
6	6	6	6	6	6
2	2	2	2	2	2
5	5	5	5	5	5
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
3	3	3	3	3	3
3	3	3	3	4	4
82,000	82,000	82,000	82,000	82,000	82,000
7	7	6	6	9	9

City of Independence, Ohio
Operating Indicators by Function/Program
Last Ten Years

Function/Program	2017	2016	2015	2014
General Government				
Law Expenditures (in thousands)	\$200	\$286	\$282	\$239
Engineering Expenditures (in thousands)	540	485	452	448
Finance Expenditures (in thousands)	470	475	439	452
Mayor's Office Expenditures (in thousands)	317	317	481	506
Council Expenditures (in thousands)	296	285	263	246
Security of Persons and Property				
Police Expenditures (in thousands)	\$5,057	\$4,973	\$4,688	\$4,650
Total Arrests	3,651	3,086	2,838	3,204
Part One Offenses	205	220	227	214
OVI Arrests	41	76	77	83
Prisoners	364	319	363	378
Motor Vehicle Accidents	457	542	575	597
Calls for Service	27,510	24,797	22,073	25,531
Incidents per Citizen	3.8670	3.4857	3.0619	3.5613
Cost per Citizen	\$710.85	\$699.04	\$650.30	\$648.63
Fire Expenditures (in thousands)	\$3,286	\$3,179	\$3,026	\$3,009
Emergency Responses	1,971	2,001	1,919	1,902
Fire Safety Inspections	850	705	591	860
Fire Protection Systems Inspected	300	474	796	584
Building Fire Protection Plans Reviewed	21	53	452	177
Percentage of Business Inspected	98%	98%	98%	75%
Number of Community Programs	20	20	20	20
Emergency Responses per Citizen	0.2771	0.0000	0.2662	0.2666
Cost per Citizen	\$461.91	\$0.01	\$419.75	\$421.84
Fire Safety Education - Business	13	14	8	3
Street Lights Expenditures (in thousands)	\$258	\$279	\$295	\$256

2013	2012	2011	2010	2009	2008
\$244	\$250	\$175	\$243	\$248	\$217
360	244	73	71	71	70
400	388	362	366	445	425
546	510	564	544	530	460
221	260	238	242	263	312
\$4,483	\$4,495	\$4,584	\$4,749	\$4,839	\$4,782
3,023	2,257	5,337	5,337	4,811	4,326
231	222	166	166	197	248
151	65	83	83	102	108
393	353	543	543	572	681
547	578	407	407	490	572
29,342	22,434	28,220	28,220	30,022	31,104
4.1400	3.1600	3.9600	3.9600	4.2900	4.3753
\$631.34	\$634.62	\$642.65	\$665.78	\$680.69	\$672.67
\$2,851	\$2,796	\$2,798	\$2,878	\$2,978	\$2,916
1,658	1,714	1,503	1,607	1,607	1,637
459	601	503	502	502	575
209	237	53	187	187	239
19	67	68	22	22	11
63%	96%	74%	87%	87%	94%
20	14	14	12	12	13
0.2210	0.2420	0.2116	0.2300	0.2300	0.2303
\$401.59	\$394.75	\$392.26	\$409.00	\$418.91	\$410.18
5	6	6	29	29	46
\$220	\$236	\$184	\$158	\$190	\$190

(continued)

City of Independence, Ohio
Operating Indicators by Function/Program (continued)
Last Ten Years

Function/Program	2017	2016	2015	2014
Leisure Time Activities				
Recreational Expenditures (in thousands)	\$1,397	\$1,950	\$1,979	\$2,002
Civic Center Expenditures (in thousands)	1,325	972	912	848
Totals	\$2,722	\$2,922	\$2,891	\$2,850
Cost per Citizen	\$382.63	\$410.74	\$401.03	\$397.55
Civic Center Square Feet	82,000	82,000	82,000	82,000
Square Feet per Citizen	11.53	11.53	11.37	11.44
Total Recreational Revenue (in thousands)	\$582	\$412	\$715	\$676
Civic Center Members	7,034	7,376	9,898	7,243
Total Participations	144,842	153,546	149,001	152,187
Participations of Members Over Age 60	23,823	23,017	19,834	20,792
Community Environment				
Building Department Expenditures (in thousands)	\$300	\$318	\$350	\$343
Cost per Citizen	\$42.17	\$44.70	\$48.55	\$47.84
Building Permits - Residential	88	51	68	50
Dollar Value of Permits (in thousands)	\$11,836	\$4,391	\$6,493	\$4,734
Building Permits - Commercial	45	48	59	57
Dollar Value of Permits (in thousands)	\$4,797	\$27,133	\$25,884	\$12,627
Transportation				
Service Department Expenditures (in thousands)	\$3,980	\$3,218	\$3,349	\$3,529
Street Construction Maintenance and Repair Expenditures (in thousands)	\$914	\$841	\$750	\$739
Snow and Ice Removal Expenditures (in thousands)	\$153	\$174	\$340	\$433
Leaves, grass, chipped material (in cubic yards)	8,512	10,489	8,603	9,598

Source: City Records

2013	2012	2011	2010	2009	2008
\$1,948	\$1,969	\$1,927	\$1,911	\$1,874	\$1,584
855	828	825	788	859	1,076
\$2,803	\$2,797	\$2,752	\$2,699	\$2,733	\$2,660
\$394.71	\$394.89	\$385.81	\$378.38	\$384.44	\$374.17
82,000	82,000	82,000	82,000	82,000	82,000
11.55	11.58	11.50	11.50	12.00	11.53
\$519	\$631	\$663	\$695	\$645	\$99
7,208	2,740	2,840	1,676	2,445	3,798
103,243	170,399	175,750	98,362	2,454	83,636
20,513	21,236	19,798	467	678	18,790
\$338	\$464	\$564	\$523	\$487	\$497
\$47.59	\$65.51	\$79.07	\$73.32	\$68.50	\$69.91
65	61	48	86	58	68
\$5,839	\$2,500	\$2,300	\$5,500	\$3,100	\$2,000
45	47	56	53	45	91
\$8,082	\$8,000	\$8,200	\$12,100	\$3,300	\$3,300
\$3,295	\$3,198	\$3,239	\$3,617	\$947	\$3,975
\$654	\$547	\$538	\$1,088	\$2,652	\$1,835
\$421	\$237	\$346	\$431	\$362	\$376
10,295	12,428	11,600	11,600	11,000	10,000

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City of Independence, Ohio

**Single Audit Reports
For the Year Ended December 31, 2017**

City of Independence

For the Year Ended December 31, 2017

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**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the City Council
City of Independence, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Independence, 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, and have issued our report thereon dated June 22, 2018.

Internal Control over Financial Reporting

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

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

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

Members of the City Council
City of Independence, Ohio

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ciuni + Panichi, Inc.

Cleveland, Ohio
June 22, 2018

**Independent Auditor’s Report on Compliance for Each Major Program;
Internal Control over Compliance; and Report on the Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

Members of the City Council
City of Independence, Ohio

Report on Compliance for Each Major Federal Program

We have audited the City of Independence, Ohio’s (the “City”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended December 31, 2017. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the City’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Members of the City Council
City of Independence, Ohio

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of 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. We issued our report thereon dated, June 22, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Ciuni + Panichi, Inc.

Cleveland, Ohio
June 22, 2018

City of Independence

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2017

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Catalog of Federal Domestic Assistance No.</u>	<u>Pass-Through or Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation:</u>			
Passed through Ohio Department of Transportation			
<u>Highway Planning and Construction Cluster</u>			
Highway Planning and Construction	20.205	N/A	\$ 175,421
<u>Executive Office of the President – Office of National Drug Control Policy:</u>			
Direct Awards			
High Intensity Drug Trafficking Areas Program - Ohio (2016)	95.001	G16OH0003A	321,129
High Intensity Drug Trafficking Areas Program - Ohio (2017)	95.001	G17OH0003A	<u>1,923,079</u>
Total Executive Office of the President – Office of National Drug Control Policy, High Intensity Drug Trafficking Areas Program - Ohio			2,244,208
<u>U.S. Department of Homeland Security (FEMA):</u>			
Direct Award			
Assistance to Firefighters Grant - Fire Prevention and Safety Grants	97.044	N/A	<u>220,121</u>
Total Federal Expenditures			\$ <u>2,639,750</u>

The accompanying notes are an integral part of this schedule

City of Independence

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2017

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Independence, Ohio, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Indirect Cost Rate

The City did not use the 10% de minimis indirect cost rate.

City of Independence, Ohio

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2017

1. Summary of Auditor's Results

(d)(I)(I)	Type of Financial Statement Opinion	Unmodified
(d)(I)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
(d)(I)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(I)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(I)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(I)(vi)	Are there any reportable findings under 2 CFR Section 200.516(a)?	No
(d)(I)(vii)	Major Program	Executive Office of the President – Office of National Drug Control Policy, CFDA # 95.001, High Intensity Drug Trafficking Areas - Ohio
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$750,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	No

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

None noted.

3. Findings for Federal Awards

None noted.

City of Independence, Ohio

Schedule of Prior Audit Findings and Questioned Costs

For the Year Ended December 31, 2017

No prior year findings or questioned costs.

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Dave Yost • Auditor of State

CITY OF INDEPENDENCE

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
AUGUST, 9 2018