



Dave Yost • Auditor of State

**CITY OF MACEDONIA
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Macedonia, Summit County, Ohio, (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Macedonia, Summit County, Ohio, as of December 31, 2014, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and Family Recreation Center Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 9, 2015

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

The management's discussion and analysis of the City of Macedonia's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2014 are:

- City income tax revenue totaled \$8,692,337. This is a decrease of \$731,389 or 7.76 percent from 2013. The City has a 2.00 percent municipal income tax on substantially all income earned within the City.
- Total assets decreased by \$654,692, a 0.94 percent decrease from 2013.
- Total net position decreased by \$113,440, a 0.20 percent decrease from 2013.
- Total capital assets, net of depreciation decreased \$441,824, a 0.81 percent decrease from 2013.
- Total outstanding long-term liabilities decreased \$467,644, a 4.43 percent decrease from 2013.
- The total governmental fund balances for the City increased from \$8,614,238 to \$9,015,080. The general fund ended the year with a fund balance of \$5,500,291.

Using This Annual Financial Report

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

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

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

Reporting the City of Macedonia as a Whole

Statement of Net Position and Statement of Activities

This document contains information about the funds used by the City to provide services to our citizens. The *statement of net position* and the *statement of activities* answer the question, "How did the City do financially during 2014?" These statements include all assets and liabilities and deferred outflows of resources and deferred inflows of resources, except fiduciary funds, using the accrual basis of accounting similar to the accounting method used by the private sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

Reporting the City of Macedonia's Most Significant Funds

Fund Financial Statements

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

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

Governmental Funds

Most of the City's activities are reported in the governmental funds. Governmental funds are reported using an accounting method called modified accrual accounting. The modified accrual accounting method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the *statement of net position* and the *statement of activities*) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

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

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

The City of Macedonia as a Whole

The *statement of net position* looks at the City as a whole. Table 1 provides a summary of the City's net position for 2014 compared to the 2013 net position.

Table 1
Net Position

	Governmental Activities		
	2014	2013	Change
Current and Other Assets	\$ 14,998,375	\$ 15,211,243	\$ (212,868)
Capital Assets, Net	53,992,609	54,434,433	(441,824)
<i>Total Assets</i>	<u>68,990,984</u>	<u>69,645,676</u>	<u>(654,692)</u>
<i>Deferred outflows</i>	19,668	29,930	(10,262)
Current and Other Liabilities	678,230	761,996	(83,766)
Long-Term Liabilities:			
Due Within One Year	1,565,677	1,439,890	125,787
Due in More Than One Year	8,533,815	9,127,246	(593,431)
<i>Total Liabilities</i>	<u>10,777,722</u>	<u>11,329,132</u>	<u>(551,410)</u>
<i>Deferred inflows</i>	1,928,334	1,928,438	(104)
Net Investment in Capital Assets	44,768,860	44,606,480	162,380
Restricted for:			
Capital Projects	324,955	354,079	(29,124)
Debt Service	243,125	465,711	(222,586)
Street Construction and Maintenance	824,246	771,997	52,249
Police Services and Programs	244,557	310,391	(65,834)
Fire Services	117,843	73,750	44,093
Other Purposes	88,951	45,104	43,847
Unrestricted	9,692,059	9,790,524	(98,465)
<i>Total Net Position</i>	<u>\$ 56,304,596</u>	<u>\$ 56,418,036</u>	<u>\$ (113,440)</u>

The largest portion of the City's net position (79.51 percent) is investments in capital assets (e.g. land, right of ways, construction in progress, buildings and improvements, machinery and equipment, vehicles, and infrastructure), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

Total assets decreased by \$654,692 from 2013 to 2014. The City's total liabilities decreased \$551,410 for the same period. The change in current assets can be attributed to the decrease in cash from the decrease in income tax revenue.

Table 2 shows the changes in net position for the years ended December 31, 2014 and 2013.

Table 2
Changes in Net Position

	Governmental Activities		Change
	2014	2013	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$ 2,576,182	\$ 2,353,003	\$ 223,179
Operating Grants and Contributions	707,143	724,231	(17,088)
Capital Grants and Contributions	356,642	2,391,718	(2,035,076)
<i>Total Program Revenues</i>	<u>3,639,967</u>	<u>5,468,952</u>	<u>(1,828,985)</u>
General Revenues:			
Property Taxes	2,137,862	2,203,807	(65,945)
Payment in Lieu of Taxes	767,735	361,184	406,551
Municipal Income Taxes	8,692,337	9,423,726	(731,389)
Grants and Entitlements, not restricted	584,845	916,085	(331,240)
Interest	29,997	196	29,801
Miscellaneous	197,719	28,991	168,728
<i>Total General Revenues</i>	<u>12,410,495</u>	<u>12,933,989</u>	<u>(523,494)</u>
<i>Total Revenues</i>	<u>16,050,462</u>	<u>18,402,941</u>	<u>(2,352,479)</u>
Program Expenses			
General Government	2,433,160	2,107,914	325,246
Security of Persons and Property	6,538,998	6,007,313	531,685
Public Health and Welfare	209,714	202,662	7,052
Transportation	3,083,286	2,792,458	290,828
Community Environment	1,294,051	900,708	393,343
Basic Utility Services	520,019	499,566	20,453
Leisure Time Activities	1,776,113	1,747,813	28,300
Interest and Fiscal Charges	308,561	306,839	1,722
<i>Total Program Expenses</i>	<u>16,163,902</u>	<u>14,565,273</u>	<u>1,598,629</u>
Change in Net Position	(113,440)	3,837,668	(3,951,108)
Net Position Beginning of Year	<u>56,418,036</u>	<u>52,580,368</u>	<u>3,837,668</u>
Net Position End of Year	<u>\$ 56,304,596</u>	<u>\$ 56,418,036</u>	<u>\$ (113,440)</u>

Governmental Activities

The City's net position for governmental activities decreased \$113,440 during 2014. Table 2 indicates total revenues decreased by \$2,352,479. At the same time program expenses increased by \$1,598,629. The decrease in revenue is primarily a result of a decrease in capital grants from the State of Ohio for the construction of the Highland Road Bridge along with a decrease in income tax revenue.

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

Several types of revenues fund our governmental activities. With the City, income tax is a major revenue source. The income tax rate was 2.00 percent for 2014. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 2 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

Total program revenues for 2014 decreased by \$1,828,985. Operating grants and contributions decreased \$17,088, capital grants and contributions decreased \$2,035,076 and charges for services and sales increased \$223,179.

Total general revenues for 2014 decreased by \$523,494 compared to 2013. This decrease is largely due to the decrease in income tax revenue and unrestricted grants and entitlements for 2014. The income tax revenues for 2014 were \$8,692,337. Of the \$16,050,462 in total revenues, income tax accounts for 54.16 percent of the total governmental revenues. Property taxes for 2014 were \$2,137,862.

General revenues from grants and entitlements, such as local government funds, are also revenue generators. General revenues from grants and entitlements decreased \$331,240.

During 2014, the City experienced a 10.98 percent increase in its program expenses. The largest program function for the City normally relates to security of persons and property which include police and fire services. Security of persons and property expenses increased 8.85 percent in 2014. General government expenses which account for the basic operations of the City including council, mayor, finance, law, purchasing, civil service, engineering, and building maintenance among other departments and services, had expenses of \$2,433,160 for 2014.

The City's Funds

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

Governmental Funds

These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$19,716,745 and expenditures and other financing uses of \$19,315,903. Income tax is the City's largest revenue source.

The largest fund for the City is the general fund. The year-end fund balance for the general fund was \$5,500,291 on a modified accrual basis. This is an increase of \$114,706 from the 2013 ending balance.

The family recreation center fund ended the year with a fund balance of \$1,352,946. This is an increase of \$71,898 from the year-end balance in 2013.

The capital improvement fund ended the year with a fund balance of \$309,674. This is a decrease of \$27,642 from the year-end balance in 2013.

For all governmental funds, the end of year balances increased \$400,842 from \$8,614,238 in 2013 to \$9,015,080 in 2014.

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

General Fund Budgeting Highlights

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

The general fund supports most of the City's major activities such as the police, fire, building, and service departments as well as the legislative and most executive activities. For the general fund, the original budgeted revenues were \$10,689,538 and the final budgeted revenues were \$11,254,934. Actual revenues of \$11,688,598 were \$433,664 more than the final budget.

The original budget estimated expenditures and other financing uses were \$11,831,288 and the final budgeted expenditures and other financing uses were \$12,604,302. Actual expenditures and other financing uses were \$11,843,160. Actual expenditures were \$761,142 less than the final budget.

Capital Assets and Long-Term Obligations

Capital Assets

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

	Governmental Activities	
	2014	2013
Land	\$ 7,150,851	\$ 7,150,851
Right of ways	844,030	218,130
Construction in Progress	9,107,323	8,869,711
Buildings and Improvements	8,519,545	8,764,828
Machinery and Equipment	1,105,945	936,994
Vehicles	1,825,852	1,769,045
Infrastructure		
Roads	11,531,115	12,408,031
Water Mains	4,064,422	4,186,424
Storm Sewers	7,710,454	7,941,005
Traffic Signals	107,811	129,363
Bridges	2,025,261	2,060,051
<i>Totals</i>	\$ 53,992,609	\$ 54,434,433

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

Total capital assets, net of depreciation for governmental activities of the City for 2014 were \$53,992,609, a \$441,824 decrease from the 2013 balance. The decrease is primarily due to depreciation expense of \$2,019,605 exceeding capital asset additions of \$1,602,729. The City also had capital asset disposals, net of accumulated depreciation of \$24,948. See note 10 of the basic financial statements for additional information on capital assets.

Long-Term Obligations

On December 31, 2014, the City of Macedonia had \$6,803,474 in general obligation bonds, \$1,109,600 in special assessment bonds, \$393,335 in a lease purchase agreement, \$424,347 in OPWC loans, and \$502,000 in SIB loans outstanding.

Table 4
Outstanding Long-Term Obligations at End of Year

	Governmental	
	2014	2013
General Obligation Bonds	\$ 6,803,474	\$ 7,949,527
Special Assessment Bonds	1,109,600	1,214,300
Lease purchase agreement	393,335	184,531
OPWC Loan	424,347	458,295
Capital Leases	-	1,344
SIB Loans	502,000	-
Totals	\$ 9,232,756	\$ 9,807,997

The City has issued general obligation bonds for various purposes and for the Recreation Center and City Hall/Safety Center. There is \$6,803,474 outstanding on the bonds. The special assessment bonds are for street construction on Highland Road and North Freeway Drive. The OPWC loan is for the North Freeway Drive project and is also being paid by special assessments. The capital leases were for a tractor, two trucks and three copiers. The SIB loans are for the purchase of rights-of-way for the I-271 ramp project.

See notes 14 and 15 of the basic financial statements for additional information on debt.

Current Financial Related Activities

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

In 2014, the General fund expenditures plus year end encumbrances totaled \$11,843,160. This was \$761,142 below the General fund budget of \$12,604,302. In addition, the city ended 2014 with an unencumbered General fund cash balance of \$3,123,927 or 24.78% of the General fund budget. The City is experiencing growth as commercial and residential building permits have increased 13.36% from 2013.

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

Contacting the City's Finance Department

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

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**BASIC
FINANCIAL STATEMENTS**

**CITY OF MACEDONIA
SUMMIT COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2014

		<u>Governmental Activities</u>
Assets:		
Equity in pooled cash, cash equivalents and investments. . .	\$	7,682,170
Receivables:		
Income taxes.		4,064,757
Real and other taxes		2,063,993
Accounts.		129,352
Special assessments		351,527
Payments in lieu of taxes.		35,420
Accrued interest		14,859
Due from other governments.		553,347
Materials and supplies inventory.		97,410
Prepayments		5,540
Capital assets:		
Non-depreciable assets		17,102,204
Depreciable capital assets, net.		36,890,405
Total capital assets, net.		<u>53,992,609</u>
Total assets		<u>68,990,984</u>
Deferred outflows of resources:		
Unamortized deferred charges on debt refunding		19,668
Total deferred outflows of resources		<u>19,668</u>
Liabilities:		
Accounts payable.		202,872
Contracts payable.		10,661
Accrued wages and benefits payable		196,923
Due to other governments		243,972
Accrued interest payable		23,802
Long-term liabilities:		
Due within one year		1,565,677
Due in more than one year.		8,533,815
Total liabilities		<u>10,777,722</u>
Deferred inflows of resources:		
Property taxes levied for the next fiscal year.		1,892,914
Payments in lieu of taxes levied for the next fiscal year.		35,420
Total deferred inflows of resources		<u>1,928,334</u>
Net position:		
Net investment in capital assets.		44,768,860
Restricted for:		
Debt service		243,125
Capital projects		324,955
Street construction and maintenance.		824,246
Fire services.		117,843
Police services and programs.		244,557
Other purposes.		88,951
Unrestricted.		9,692,059
Total net position	\$	<u>56,304,596</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA
SUMMIT COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Current:					
General government	\$ 2,433,160	\$ 136,725	\$ -	\$ -	\$ (2,296,435)
Security of persons and property	6,538,998	888,286	4,966	-	(5,645,746)
Public health and welfare	209,714	-	-	-	(209,714)
Transportation.	3,083,286	1,100	664,300	356,642	(2,061,244)
Community environment	1,294,051	436,941	3,740	-	(853,370)
Basic utility services	520,019	114,479	-	-	(405,540)
Leisure time activities.	1,776,113	998,651	34,137	-	(743,325)
Interest and fiscal charges.	308,561	-	-	-	(308,561)
Total governmental activities	<u>\$ 16,163,902</u>	<u>\$ 2,576,182</u>	<u>\$ 707,143</u>	<u>\$ 356,642</u>	<u>(12,523,935)</u>
General revenues:					
Property taxes levied for:					
General purposes					1,674,599
Fire operating levy.					352,171
Police pension levy.					111,092
Income taxes levied for:					
General purposes					7,606,086
Family recreation center.					1,086,251
Payments in lieu of taxes					767,735
Grants and entitlements not restricted					
to specific programs					584,845
Investment earnings					29,997
Miscellaneous					197,719
Total general revenues					<u>12,410,495</u>
Change in net position					(113,440)
Net position at beginning of year					<u>56,418,036</u>
Net position at end of year					<u>\$ 56,304,596</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA
SUMMIT COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>General</u>	<u>Family Recreation Center</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents . . .	\$ 4,311,847	\$ 1,189,982	\$ 320,335	\$ 1,860,006	\$ 7,682,170
Receivables:					
Income taxes	3,556,662	508,095	-	-	4,064,757
Real and other taxes	1,555,916	-	-	508,077	2,063,993
Accounts	109,732	19,168	-	452	129,352
Special assessments	239,219	-	-	112,308	351,527
Payments in lieu of taxes	-	-	-	35,420	35,420
Interfund loans	24,978	-	-	-	24,978
Accrued interest	14,859	-	-	-	14,859
Due from other governments	214,997	-	-	338,350	553,347
Materials and supplies inventory	7,859	-	-	89,551	97,410
Prepayments	2,831	2,291	-	418	5,540
Total assets	<u>\$ 10,038,900</u>	<u>\$ 1,719,536</u>	<u>\$ 320,335</u>	<u>\$ 2,944,582</u>	<u>\$ 15,023,353</u>
Liabilities:					
Accounts payable	\$ 82,723	\$ 19,439	\$ -	\$ 100,710	\$ 202,872
Contracts payable	-	-	10,661	-	10,661
Accrued wages and benefits payable	158,086	13,101	-	25,736	196,923
Interfund loans payable	-	-	-	24,978	24,978
Due to other governments	151,930	22,752	-	69,290	243,972
Total liabilities	<u>392,739</u>	<u>55,292</u>	<u>10,661</u>	<u>220,714</u>	<u>679,406</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year . . .	1,419,283	-	-	473,631	1,892,914
Delinquent property tax revenue not available . .	98,514	-	-	34,446	132,960
Special assessments revenue not available	239,219	-	-	112,308	351,527
Miscellaneous revenue not available	60,758	-	-	-	60,758
Income tax revenue not available	2,179,084	311,298	-	-	2,490,382
Intergovernmental revenue not available	149,012	-	-	215,894	364,906
Payments in lieu of taxes levied for the next fiscal year	-	-	-	35,420	35,420
Total deferred inflows of resources	<u>4,145,870</u>	<u>311,298</u>	<u>-</u>	<u>871,699</u>	<u>5,328,867</u>
Fund balances:					
Nonspendable	18,456	2,291	-	89,969	110,716
Restricted	-	-	309,674	1,159,342	1,469,016
Committed	511,000	1,350,655	-	627,836	2,489,491
Assigned	2,740,556	-	-	-	2,740,556
Unassigned (deficit)	2,230,279	-	-	(24,978)	2,205,301
Total fund balances	<u>5,500,291</u>	<u>1,352,946</u>	<u>309,674</u>	<u>1,852,169</u>	<u>9,015,080</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,038,900</u>	<u>\$ 1,719,536</u>	<u>\$ 320,335</u>	<u>\$ 2,944,582</u>	<u>\$ 15,023,353</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA
SUMMIT COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014

Total governmental fund balances	\$	9,015,080
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		53,992,609
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 2,490,382	
Real and other taxes receivable	132,960	
Intergovernmental receivable	364,906	
Special assessments receivable	351,527	
Accounts receivable	60,758	
Total	3,400,533	3,400,533
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(23,802)
Unamortized deferred amounts on refundings are not recognized in governmental funds.		19,668
Unamortized premiums on bond issuances are not recognized in governmental funds.		(198,474)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(866,736)	
Lease purchase agreement	(393,335)	
General obligation bonds payable	(6,605,000)	
OPWC loans payable	(424,347)	
SIB Loans payable	(502,000)	
Special assessment bonds	(1,109,600)	
Total	(9,901,018)	(9,901,018)
Net position of governmental activities	\$	56,304,596

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Family Recreation Center	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income taxes	\$ 7,692,363	\$ 1,098,577	\$ -	\$ -	\$ 8,790,940
Real and other taxes.	1,745,218	-	-	473,152	2,218,370
Charges for services.	532,369	757,024	-	205,514	1,494,907
Licenses and permits	411,119	-	-	39,000	450,119
Fines and forfeitures	418,461	-	-	28,055	446,516
Intergovernmental.	632,028	242	236,399	719,339	1,588,008
Special assessments	28,905	-	-	256,772	285,677
Investment income.	29,997	-	-	-	29,997
Rental income	23,785	19,168	-	71,682	114,635
Contributions and donations.	699	-	-	34,910	35,609
Payments in lieu of taxes.	-	-	-	767,735	767,735
Other	182,455	910	135,507	42,022	360,894
Total revenues	<u>11,697,399</u>	<u>1,875,921</u>	<u>371,906</u>	<u>2,638,181</u>	<u>16,583,407</u>
Expenditures:					
Current:					
General government	2,270,837	-	-	40,654	2,311,491
Security of persons and property	5,216,290	-	-	727,602	5,943,892
Public health and welfare.	209,714	-	-	-	209,714
Transportation	-	-	-	1,630,047	1,630,047
Community environment	521,168	-	-	767,735	1,288,903
Leisure time activities	1,578	1,190,418	-	426,662	1,618,658
Basic utility services	105,655	-	-	60,172	165,827
Capital outlay	339,830	-	1,794,710	2,848	2,137,388
Debt service:					
Principal retirement.	581,766	561,450	-	138,648	1,281,864
Interest and fiscal charges	215,869	52,155	-	84,433	352,457
Total expenditures	<u>9,462,707</u>	<u>1,804,023</u>	<u>1,794,710</u>	<u>3,878,801</u>	<u>16,940,241</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>2,234,692</u>	<u>71,898</u>	<u>(1,422,804)</u>	<u>(1,240,620)</u>	<u>(356,834)</u>
Other financing sources (uses):					
Capital lease transaction.	255,676	-	-	-	255,676
Transfers in	-	-	893,162	1,482,500	2,375,662
Transfers (out).	(2,375,662)	-	-	-	(2,375,662)
Loan Proceeds	-	-	502,000	-	502,000
Total other financing sources (uses)	<u>(2,119,986)</u>	<u>-</u>	<u>1,395,162</u>	<u>1,482,500</u>	<u>757,676</u>
Net change in fund balances	114,706	71,898	(27,642)	241,880	400,842
Fund balances at beginning of year	<u>5,385,585</u>	<u>1,281,048</u>	<u>337,316</u>	<u>1,610,289</u>	<u>8,614,238</u>
Fund balances at end of year	<u>\$ 5,500,291</u>	<u>\$ 1,352,946</u>	<u>\$ 309,674</u>	<u>\$ 1,852,169</u>	<u>\$ 9,015,080</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA
SUMMIT COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net change in fund balances - total governmental funds	\$	400,842
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.		
Capital asset additions	\$ 1,602,729	
Current year depreciation	<u>(2,019,605)</u>	
Total		(416,876)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(24,948)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	(98,603)	
Real and other taxes	(80,508)	
Intergovernmental revenues	(96,039)	
Special assessments	(256,435)	
Accounts	<u>(1,360)</u>	
Total		(532,945)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		1,281,864
Issuance of leases and SIB Loans are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(757,676)
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
Decrease in accrued interest payable	3,105	
Amortization of deferred amounts on refunding	(10,262)	
Amortization of bond premiums and discounts	<u>51,053</u>	
Total		43,896
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.		
		<u>(107,597)</u>
Change in net position of governmental activities	\$	<u>(113,440)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 6,987,590	\$ 7,357,181	\$ 7,615,977	\$ 258,796
Real and other taxes.	1,621,402	1,707,162	1,767,213	60,051
Charges for services.	490,277	516,209	534,367	18,158
Licenses and permits	377,198	397,149	411,119	13,970
Fines and forfeitures	383,512	403,797	418,001	14,204
Intergovernmental.	587,045	618,095	639,837	21,742
Special assessments.	14,647	15,422	28,905	13,483
Investment income	46,172	48,614	50,324	1,710
Rental income.	23,084	24,305	25,160	855
Contribution and donations	641	675	699	24
Other	157,970	166,325	196,996	30,671
Total revenues	<u>10,689,538</u>	<u>11,254,934</u>	<u>11,688,598</u>	<u>433,664</u>
Expenditures:				
Current:				
General government	2,356,652	2,708,969	2,341,470	367,499
Security of persons and property	5,534,004	5,706,869	5,361,750	345,119
Public health and welfare.	210,500	214,694	209,714	4,980
Community environment	614,106	617,172	605,441	11,731
Leisure time activities	2,000	2,000	1,578	422
Utility services	172,465	150,625	120,834	29,791
Capital outlay	82,434	78,934	77,334	1,600
Debt service:				
Principal retirement.	574,991	574,991	574,991	-
Interest and fiscal charges	174,136	174,386	174,386	-
Total expenditures	<u>9,721,288</u>	<u>10,228,640</u>	<u>9,467,498</u>	<u>761,142</u>
Excess of revenues over expenditures.	<u>968,250</u>	<u>1,026,294</u>	<u>2,221,100</u>	<u>1,194,806</u>
Other financing uses:				
Transfers (out).	<u>(2,110,000)</u>	<u>(2,375,662)</u>	<u>(2,375,662)</u>	<u>-</u>
Total other financing uses	<u>(2,110,000)</u>	<u>(2,375,662)</u>	<u>(2,375,662)</u>	<u>-</u>
Net change in fund balances	(1,141,750)	(1,349,368)	(154,562)	1,194,806
Fund balances at beginning of year	3,089,540	3,089,540	3,089,540	-
Prior year encumbrances appropriated	188,949	188,949	188,949	-
Fund balance at end of year	<u>\$ 2,136,739</u>	<u>\$ 1,929,121</u>	<u>\$ 3,123,927</u>	<u>\$ 1,194,806</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FAMILY RECREATION CENTER FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 944,571	\$ 1,013,612	\$ 1,083,378	\$ 69,766
Charges for services.	665,425	714,061	763,210	49,149
Intergovernmental.	211	226	242	16
Other	793	851	910	59
Total revenues	<u>1,611,000</u>	<u>1,728,750</u>	<u>1,847,740</u>	<u>118,990</u>
Expenditures:				
Current:				
Leisure time activities	1,304,792	1,312,292	1,207,643	104,649
Debt service:				
Principal retirement.	561,450	561,450	561,450	-
Interest and fiscal charges	52,155	52,155	52,155	-
Total expenditures	<u>1,918,397</u>	<u>1,925,897</u>	<u>1,821,248</u>	<u>104,649</u>
Excess (deficiency) of revenues over (under) expenditures.	(307,397)	(197,147)	26,492	223,639
Fund balances at beginning of year	1,098,230	1,098,230	1,098,230	-
Prior year encumbrances appropriated . . .	43,690	43,690	43,690	-
Fund balance at end of year	<u>\$ 834,523</u>	<u>\$ 944,773</u>	<u>\$ 1,168,412</u>	<u>\$ 223,639</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA
SUMMIT COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2014

		Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$	393,563
Receivables:		
Accounts		240
Income taxes.		27,125
Total assets	\$	420,928
Liabilities:		
Accounts payable	\$	45,465
Intergovernmental payable.		26,724
Deposits held and due to others.		348,739
Total liabilities	\$	420,928

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 1 - Description of the City and Reporting Entity

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

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Macedonia, this includes the departments and agencies that provide the following services: police, fire, street maintenance, planning and zoning, emergency medical technicians, parks and recreation system, public improvements department, general administrative services and Mayor’s court.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. The City has no component units.

The City is associated with two jointly governed organizations, the Northeast Ohio Public Energy Council and the Regional Council of Governments and one joint venture, the Northfield Center Township - Macedonia Joint Economic Development District. These organizations are presented in notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

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

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City reports two categories of funds: governmental and fiduciary.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

Capital Improvement Fund - The capital improvement fund accounts for resources used to purchase equipment and construct capital assets.

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

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for deposits pledged by contractors and citizens; building assessment fees collected for the Ohio Board of Building Standards; a payroll revolving fund that accounts for net payroll and related deductions for distribution; an escrow account for the Route 8 construction project; a Joint Economic Development District with Northfield Center Township; community room security deposits; EMS fees collected on behalf of Boston Heights; and mayor's court bonds.

C. Measurement Focus

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (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 a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants, fees and rentals.

Deferred Inflows of Resources - Deferred inflows of resources arise when assets are recognized before revenue recognition criteria have been satisfied.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

Property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2014, are recorded as deferred inflows of resources on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternate tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternate tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of budgetary control is at the department level and object level of personal services, operating and capital outlay for the general, street construction, maintenance and repair, parks, and family recreation funds, at the line item level for the capital improvements fund, and at the fund level for all other funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control. More detailed allocations beyond the legal level of appropriations passed by Council may be made by the Finance Director.

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

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Cash and Cash Equivalents

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

During 2014, the City's investments were limited to money market funds, U.S. Treasury notes and bonds, federal agency securities and State Treasury Asset Reserve of Ohio (STAR Ohio).

Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2014.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2014 amounted to \$29,997, which includes \$13,979 assigned from other funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents. An analysis of the City's investment account at year-end is provided in Note 6.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, 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.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

I. Capital Assets

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

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

J. Interfund Balances

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

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

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

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and loans are recognized as a liability on the governmental fund financial statements when due.

M. Fund Balances

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

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

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

N. Net Position

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

Net position restricted for other purposes include the operations of the permissive tax fund, CDBG grant, mayor's court computer fund and quiet zone maintenance fund.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Interfund Activity

Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

P. Bond Premium

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

Q. Gain/Loss on Refunding

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City administration and that are either unusual in nature or infrequent in occurrence.

S. 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 - Changes in Accounting Principles

Change in Accounting Principles

For 2014, the City has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 4 - Compliance and Accountability

Fund Deficit

Fund balances at December 31, 2014 included the following individual fund deficit:

<u>Nonmajor Fund</u>	<u>Fund Balance Deficit</u>
Highland Road Bridge	\$ 24,978

This fund complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued assets and liabilities.

Note 5 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and the family recreation center fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 5 - Budgetary Basis of Accounting - (Continued)

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

	<u>General fund</u>	Family Recreation <u>Center fund</u>
Budget basis	\$ (154,562)	\$ 26,492
Net adjustment for revenue accruals	8,617	28,181
Net adjustment for expenditure accruals	(199,938)	(4,345)
Net adjustment for other sources/uses	255,676	-
Funds budgeted elsewhere	184	-
Adjustment for encumbrances	<u>204,729</u>	<u>21,570</u>
GAAP basis	<u>\$ 114,706</u>	<u>\$ 71,898</u>

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

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 deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 6 - Deposits and Investments (Continued)

Interim monies may be deposited or invested in the following securities:

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

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

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

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 6 - Deposits and Investments (Continued)

Cash on Hand

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

Deposits

At December 31, 2014, the carrying amount of all City deposits was \$5,245,967. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2014, \$4,946,252 of the City’s bank balance of \$5,446,252 was exposed to custodial risk as discussed below, while \$500,000 was covered by the Federal Deposit Insurance Corporation “FDIC”.

Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

All investments are in an internal investment pool. As of December 31, 2014, the City had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>24 to 60 months</u>
STAR Ohio	\$ 62,586	\$ 62,586	\$ -	\$ -	\$ -	\$ -
US Government money market funds	34,390	34,390	-	-	-	-
FHLM	108,835	-	-	-	-	108,835
Freddie Mac	892,103	100,221	202,050	77,120	102,388	410,324
Fannie Mae	1,351,481	100,112	204,480	207,922	126,440	712,527
U.S. Treasury bonds	190,346	-	-	-	-	190,346
U.S. Treasury notes	188,850	-	-	-	-	188,850
Total	<u>\$ 2,828,591</u>	<u>\$ 297,309</u>	<u>\$ 406,530</u>	<u>\$ 285,042</u>	<u>\$ 228,828</u>	<u>\$ 1,610,882</u>

The weighted average maturity of investments is 2.35 years.

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 6 - Deposits and Investments (Continued)

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

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

Concentration of Credit Risk: The City's investment policy places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 62,586	2.21
US government money market funds	34,390	1.22
FHLM	108,835	3.85
Freddie Mac	892,103	31.54
Fannie Mae	1,351,481	47.78
US Treasury Notes and Bonds	379,196	13.40
Total	<u>\$ 2,828,591</u>	<u>100.00</u>

Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the financial statements as of December 31, 2014:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 5,245,967
Investments	2,828,591
Cash on hand	1,175
Total	<u>\$ 8,075,733</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 7,682,170
Agency funds	393,563
Total	<u>\$ 8,075,733</u>

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 7 - Receivables

Receivables at December 31, 2014, consisted primarily of municipal income taxes, property taxes, payment in lieu of taxes, special assessments, accounts (billings for user charged services and court fines), and intergovernmental receivables arising from grants, entitlements and shared revenues.

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

Special assessments expected to be collected in more than one year amount to \$239,219 in the general fund, \$110,678 in the special assessment bond retirement fund and \$1,630 in the water maintenance expense fund. At December 31, 2014 the amount of delinquent special assessments was \$27,038.

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Summit County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Macedonia. The Summit County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2014 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred outflows of resources since the current taxes were not levied to finance 2014 operations and the collection of delinquent taxes has been offset by deferred inflows of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 7 - Receivables (Continued)

The full tax rate for all City operations for the year ended December 31, 2014 was \$8.90 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2014 property tax receipts were based are as follows:

Real Property

Residential/Agricultural	\$ 286,546,490
Commercial/Industrial/Mineral	97,958,260
Public utility	<u>18,451,010</u>
Total Assessed Value	<u><u>\$ 402,955,760</u></u>

B. Income Taxes

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, 8.5 percent of the City's net income tax collections will be allocated to general improvements, 12.5 percent to parks and recreation, capital improvements, maintenance and operating expenses and 29 percent of the general fund's income tax revenue to cover police, fire and service department expenditures. Sums going to capital improvements shall include the payment of principal and interest on general indebtedness incurred for such capital improvements or as otherwise provided by the Code. The balance is to be used for current operating expenditures.

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 7 - Receivables (Continued)

C. Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

Governmental activities:	<u>Amount</u>
Local Government	\$ 100,000
Homestead and Rollback	105,000
Street Construction, Maintenance and Repair	288,336
State Highway	16,735
Motor Vehicle License	8,203
Other	<u>35,073</u>
<i>Total Governmental Activities</i>	<u>\$ 553,347</u>

Note 8 - Compensated Absences

The criteria for determining vacation and sick leave liabilities are derived from negotiated agreements and State laws. Employees earn ten to twenty-five days of vacation per year, depending upon length of service. Normally, all vacation is to be taken in the year available unless written approval for carryover of vacation is obtained, in which case it is to be used in the first quarter of the following year. All accumulated unused vacation time is paid upon termination of employment.

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

Note 9 - Interfund Transactions

A. Interfund transfers for the year ended December 31, 2014, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Capital improvement	\$ 893,162
Nonmajor governmental funds	<u>1,482,500</u>
Total	<u>\$ 2,375,662</u>

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 9 - Interfund Transactions (Continued)

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

- B.** Interfund loans consisted of the following at December 31, 2014, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	<u>\$ 24,978</u>

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

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City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance 1/1/14	Additions	Deletions	Balance 12/31/14
Governmental activities:				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 7,150,851	\$ -	\$ -	\$ 7,150,851
Right-of-Ways	218,130	625,900	-	844,030
Construction in Progress	8,869,711	237,612	-	9,107,323
<i>Total Capital Assets Not Being Depreciated</i>	<u>16,238,692</u>	<u>863,512</u>	<u>-</u>	<u>17,102,204</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	12,500,076	9,487	-	12,509,563
Machinery and Equipment	1,976,905	358,764	(10,977)	2,324,692
Vehicles	3,801,523	370,966	(107,408)	4,065,081
Infrastructure:				
Roads	24,853,840	-	-	24,853,840
Water Mains	6,081,442	-	-	6,081,442
Storm Sewers	11,527,484	-	-	11,527,484
Traffic Signals	244,917	-	-	244,917
Bridges	2,127,127	-	-	2,127,127
<i>Total Capital Assets Being Depreciated</i>	<u>63,113,314</u>	<u>739,217</u>	<u>(118,385)</u>	<u>63,734,146</u>
<i>Less Accumulated Depreciation</i>				
Buildings and Improvements	(3,735,248)	(254,770)	-	(3,990,018)
Machinery and Equipment	(1,039,911)	(188,715)	9,879	(1,218,747)
Vehicles	(2,032,478)	(290,309)	83,558	(2,239,229)
Infrastructure:				
Roads	(12,445,809)	(876,916)	-	(13,322,725)
Water Mains	(1,895,018)	(122,002)	-	(2,017,020)
Storm Sewers	(3,586,479)	(230,551)	-	(3,817,030)
Traffic Signals	(115,554)	(21,552)	-	(137,106)
Bridges	(67,076)	(34,790)	-	(101,866)
<i>Total Accumulated Depreciation</i>	<u>(24,917,573)</u>	<u>(2,019,605)</u>	<u>93,437</u>	<u>(26,843,741)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>38,195,741</u>	<u>(1,280,388)</u>	<u>(24,948)</u>	<u>36,890,405</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 54,434,433</u>	<u>\$ (416,876)</u>	<u>\$ (24,948)</u>	<u>\$ 53,992,609</u>

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 10 - Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follow:

General government	\$ 112,201
Security of persons and property	219,369
Leisure time activities	154,984
Basic utility services	354,192
Community environment	648
Transportation	<u>1,178,211</u>
Total	<u>\$ 2,019,605</u>

Note 11 - Risk Management

A. Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. As of December 31, 2014, the City contracted with the Ohio Municipal League Self Insurance Pool, for a three year contract, administered by Dawson and DiStefano Insurance Company, as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Ohio Municipal Joint Self Insurance Pool		
Blanket Property, and Contents, Replacement	\$ 15,438,777	\$1,000
General Liability	6,000,000	1,000
Automobile Liability	6,000,000	1,000
Umbrella Liability	6,000,000	1,000
Employer Liability	6,000,000	1,000
Miscellaneous Equipment (Scheduled)	cash value	1,000
Miscellaneous Equipment (Unscheduled)	cash value	1,000
Tower and Antenna	cash value	1,000
Public Officials Liability	6,000,000	25,000
Law Enforcement	6,000,000	25,000
Employee Benefits Liability (per act)	1,000,000	25,000
Employment Practices Liability	1,000,000	25,000

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 11 - Risk Management (Continued)

B. Workers' Compensation

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

Note 12 - Pension Plans

A. Ohio Public Employees Retirement System

Plan Description - The City participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% for members. The City's contribution rate for 2014 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$342,454, \$362,501, and \$266,335, respectively; 86.06% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the Member-Directed Plan for 2014 were \$7,068 made by the City and \$5,048 made by the plan members.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 12 - Pension Plans (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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 statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, the City was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute.

For 2014, the portion of the City's contributions to fund pension obligations was 19.50% for police officers and 24.00% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$302,773 and \$260,677 for the year ended December 31, 2014, \$173,364 and \$170,051 for the year ended December 31, 2013, and \$161,004 and \$169,133, for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 91.64% has been contributed for police and 91.77% has been contributed for firefighters for 2014. The remaining 2014 pension liability has been reported as due to other governments/pension obligation payable on the basic financial statements.

Note 13 - Postretirement Benefit Plans

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 13 - Postretirement Benefit Plans (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2014, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2014 was 2.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$57,096, \$27,873, and \$106,768, respectively; 86.06% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

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

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 13 - Postretirement Benefit Plans (Continued)

OP&F maintains funds for health care in two separate accounts, one account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 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 into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the portion of employer contributions allocated to health care was 0.50% 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 the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$7,968 and \$5,546 for the year ended December 31, 2014, \$35,625 and \$26,854 for the year ended December 31, 2013, and \$85,237 and \$66,182, for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 91.64% has been contributed for police and 91.77% has been contributed for firefighters for 2014. The remaining 2014 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Note 14 - Capital Leases

In prior years, the City entered into lease agreements for a tractor, two trucks and three copiers. The City's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases". Capital lease payments have been reclassified and are reflected as debt service expenditures on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 14 - Capital Leases (Continued)

Lease Purchase Agreement

During fiscal year 2014, the City entered into a lease-purchase agreement with a local bank to finance the purchase of eight vehicles and two trucks. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the City. The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement as of December 31, 2014.

Years	Lease Purchase Agreement	
	Principal	Interest
2015	\$ 97,126	\$ 10,068
2016	99,900	7,292
2017	90,350	4,437
2018	52,345	2,240
2019	<u>53,614</u>	<u>972</u>
Total	<u>\$ 393,335</u>	<u>\$ 25,009</u>

Capital assets acquired by lease have been capitalized and depreciated as follows as of December 31, 2014:

Governmental Activities

Capital Assets, being depreciated:

Vehicles	\$ 451,424
Less: Accumulated Depreciation	<u>(60,209)</u>
<i>Capital Assets, Net</i>	<u>\$ 391,215</u>

Note 15 - Long-Term Obligations

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

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 15 - Long-Term Obligations (Continued)

Changes in long-term obligations of the City during 2014 are as follows:

	Balance 01/01/14	Increase	Decrease	Balance 12/31/14	Amounts Due in One Year
General Obligation Bonds					
Various Purpose Refunding Bonds, 2011	\$ 3,050,000	\$ -	\$ (985,000)	\$ 2,065,000	\$ 1,020,000
Various Purpose Bonds, 2010	4,650,000	-	(110,000)	4,540,000	120,000
<i>Total General Obligation Bonds</i>	<u>7,700,000</u>	<u>-</u>	<u>(1,095,000)</u>	<u>6,605,000</u>	<u>1,140,000</u>
Special Assessment Bonds with Governmental Commitment					
Highland Road Improvement Variance, 2003					
Serial Bonds	125,000	-	(60,000)	65,000	65,000
Term bonds	605,000	-	-	605,000	-
Highland Road Improvement, 1996	70,200	-	(22,000)	48,200	23,400
North Freeway Drive, 2006	414,100	-	(22,700)	391,400	23,900
<i>Total Special Assessment Bonds</i>	<u>1,214,300</u>	<u>-</u>	<u>(104,700)</u>	<u>1,109,600</u>	<u>112,300</u>
Ohio Department of Transportation (ODOT)					
State Infrastructure Bank Loans (I-271 Ramp)	-	502,000	-	502,000	-
Ohio Public Works Commission Loan (OPWC)					
North Freeway Drive Project, 2005	458,295	-	(33,948)	424,347	33,948
Capital Leases	1,344	-	(1,344)	-	-
Compensated Absences Payable	759,139	265,623	(158,026)	866,736	182,303
Lease Purchase Agreement	184,531	255,676	(46,872)	393,335	97,126
Total Governmental Long-Term Liabilities	<u>\$ 10,317,609</u>	<u>\$ 1,023,299</u>	<u>\$ (1,439,890)</u>	<u>\$ 9,901,018</u>	<u>\$ 1,565,677</u>
			Add: Unamortized Premium	198,474	
			Total on Statement of Net Position	<u>\$ 10,099,492</u>	

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

On January 15, 2014, the Ohio Department of Transportation (“ODOT”) issued the City a loan to acquire the rights-of-way for the I-271 ramp project. The loan was in the amount of \$502,000 and had an interest rate of 3.00%. The loan has a maturity date of July 31, 2024. Principal and interest payments are due semi-annually. The loan has a zero percent interest rate until 7/30/2015.

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

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 15 - Long-Term Obligations (Continued)

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

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

Mandatory Sinking Fund Redemption - The bonds maturing on December 1, 2023 shall be term bonds subject to mandatory sinking redemption requirements. The mandatory redemption is to occur on December 1, 2016 and 2022 (with the balance of \$85,000 to be paid at stated maturity on December 1, 2023):

<u>Year</u>	<u>Principal Amount</u>
2016	\$ 65,000
2017	70,000
2018	70,000
2019	75,000
2020	75,000
2021	80,000
2022	85,000

2010 Various Purpose Bonds

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

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

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

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 15 - Long-Term Obligations (Continued)

2011 Refunding Bonds

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

The debt issue is comprised of bonds, par value \$4,985,000. The interest rate on the bonds ranges from 2.00-3.00 percent. The bond matures December 1, 2016.

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

Principal and interest requirements to retire the long-term obligations as of December 31, 2014, are as

Years	General Obligation Bonds		Special Assessment Bonds		OPWC Loans	SIB Loans	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2015	\$ 1,140,000	\$ 235,400	\$ 112,300	\$ 50,228	\$ 33,948	\$ -	\$ -
2016	1,115,000	201,800	115,100	45,186	33,948	-	-
2017	245,000	168,350	96,600	39,658	33,948	58,100	16,772
2018	255,000	161,000	98,100	35,406	33,948	59,856	15,066
2019	260,000	153,350	104,600	31,075	33,948	61,666	13,310
2020 - 2024	1,455,000	607,200	499,200	82,532	169,739	322,378	38,289
2025 - 2029	1,755,000	291,600	83,700	5,705	84,868	-	-
2030	380,000	15,200	-	-	-	-	-
Total	<u>\$ 6,605,000</u>	<u>\$ 1,833,900</u>	<u>\$ 1,109,600</u>	<u>\$ 289,790</u>	<u>\$ 424,347</u>	<u>\$ 502,000</u>	<u>\$ 83,437</u>

follows:

Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5 percent of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5 percent of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2014, the City's total debt margin was \$35,861,604 (including available funds of \$156,249) and the unvoted debt margin was \$22,162,567.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 16 - Jointly Governed Organization

A. *Northeast Ohio Public Energy Council (NOPEC)*

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 134 communities who have been authorized by ballot to purchase electricity and natural gas on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities.

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

The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Macedonia did not contribute to NOPEC during 2014. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Rd. Suite 20, Solon, Ohio or at the website www.nopecinfo.org.

B. *Regional Council of Governments*

In 1971, 38 municipalities joined together to organize a Regional Council of Governments (RCOG) to administer tax collection and enforcement concerns facing the cities and villages. The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for 223 municipalities throughout the State of Ohio. The City began using RITA for its income tax collection services during 2005.

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 17 - Joint Venture

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

Continued existence of the JEDD is dependent on the City's continued participation; however, the City does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. In 2014, the JEDD had total distributions of \$262,803 of which \$146,401 went to the City. Complete financial statements can be obtained from the Northfield Center Township-Macedonia Joint Economic Development District, City of Macedonia Finance Department, 9691 Valley View Road, Macedonia, Ohio, 44056.

Note 18 - Tax Increment Financing District (TIF)

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

PILOT revenue was \$767,735 in 2014 as reported in the fund financial statements. The TIF has a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT's cease and property taxes then apply to the increased property values.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 19 - Contingencies

A. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2014.

B. Litigation

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

Note 20 - Other Commitments

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

<u>Fund</u>	<u>Year-End</u> <u>Encumbrances</u>
General fund	\$ 158,528
Family recreation center	17,014
Capital improvement	356,995
Other nonmajor governmental	<u>134,597</u>
Total	\$ <u>667,134</u>

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2014

Note 21 - Fund Balance

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

Fund balance	General	Family Recreation Center Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 7,859	\$ -	\$ -	\$ 89,551	\$ 97,410
Unclaimed monies	7,766	-	-	-	7,766
Prepays	2,831	2,291	-	418	5,540
Total nonspendable	<u>18,456</u>	<u>2,291</u>	<u>-</u>	<u>89,969</u>	<u>110,716</u>
Restricted:					
Security of persons and property	-	-	-	264,979	264,979
Transportation	-	-	-	636,043	636,043
Community environment	-	-	-	14,563	14,563
Leisure time activities	-	-	-	37,690	37,690
Debt service	-	-	-	156,249	156,249
Capital projects	-	-	309,674	15,281	324,955
Other	-	-	-	34,537	34,537
Total restricted	<u>-</u>	<u>-</u>	<u>309,674</u>	<u>1,159,342</u>	<u>1,469,016</u>
Committed:					
Security of persons and property	-	-	-	35,436	35,436
Community environment	-	-	-	22,500	22,500
Leisure time activities	-	1,350,655	-	264,678	1,615,333
Retirement reserve	500,000	-	-	-	500,000
Underground storage tank	11,000	-	-	-	11,000
Capital projects	-	-	-	43,977	43,977
Utility services	-	-	-	261,245	261,245
Total committed	<u>511,000</u>	<u>1,350,655</u>	<u>-</u>	<u>627,836</u>	<u>2,489,491</u>
Assigned:					
General government	49,287	-	-	-	49,287
Security of persons and property	43,075	-	-	-	43,075
Community environment	50,653	-	-	-	50,653
Utility services	10,288	-	-	-	10,288
Subsequent year appropriations	2,582,828	-	-	-	2,582,828
Capital outlay	4,425	-	-	-	4,425
Total assigned	<u>2,740,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,740,556</u>
Unassigned (deficit)	<u>2,230,279</u>	<u>-</u>	<u>-</u>	<u>(24,978)</u>	<u>2,205,301</u>
Total fund balances	<u>\$ 5,500,291</u>	<u>\$ 1,352,946</u>	<u>\$ 309,674</u>	<u>\$ 1,852,169</u>	<u>\$ 9,015,080</u>



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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Macedonia, Summit County, Ohio, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 9, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

October 9, 2015

**CITY OF MACEDONIA
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014**

FINDING NUMBER 2014-001

Material Weakness/Noncompliance Finding – On Behalf Grant Accounting:

Ohio Rev. Code § 5705.42 requires in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision.

The City is engaged in several projects receiving funding from the Ohio Department of Transportation (ODOT). ODOT pays the vendor directly for some expenditures incurred by the City, rather than reimbursing the City. The proper accounting treatment for these on-behalf-of expenditures is to record the expenditure in the fund accounting for the project and to record a corresponding intergovernmental receipt in the same fund. Appropriations and estimated resources should also be recorded in the accounting system.

The City did not record \$191,043 in on-behalf-of expenditures made by ODOT for the State Route 82 Widening and I-271 North Ramp projects, resulting in an understatement of capital outlay expenditure and intergovernmental revenue for the Capital Improvement Fund, and an understatement of transportation expense and capital grants and contributions for the governmental activities opinion unit. The financial statements have been adjusted to correct this error.

Failure to record on-behalf-of grant expenditures and corresponding receipts in the accounting records hinders management's ability to monitor project status and may result in financial statement errors.

The City should ensure procedures are in place to record all on-behalf-of grant expenditures, and corresponding receipts on the financial statements. Appropriations and estimated resources should also be recorded in the accounting system.

A similar issue was reported to the City during the 2013 financial statement audit.

FINDING NUMBER 2014-002

Material Weakness – Financial Statement Errors:

Management is responsible for implementing and maintaining an internal control system designed to enable management to determine the accuracy and classification of the City's financial statement transactions and balances.

The following financial statement errors were identified:

- Governmental Activities' long-term liabilities due in more than one year were understated by \$502,000, non-depreciable capital assets were understated by \$232,763, transportation expense was understated by \$86,737, and capital grants and contributions revenue (off-setting transportation expense) was overstated \$182,500, due to a State Infrastructure Bank (SIB) loan received from the Ohio Department of Transportation (ODOT) being partially omitted and recorded incorrectly on the financial statements. This was adjusted to the financial statements by management.
- The Capital Improvement Fund's intergovernmental revenue was overstated by \$182,500, capital outlay expenditure was understated by \$319,500, and other financing sources- loan proceeds were understated by \$502,000, due to incorrectly recording the SIB loan mentioned above. The adjustment was made to the financial statements by management.
- The Capital Improvement Fund's other revenue was overstated and intergovernmental revenue was understated by \$120,244 due to the mis-posting of three receipts. This was reported to management as an unadjusted item.
- Other Governmental Funds' special assessment revenue and cash was overstated, and General Fund special assessment revenue and cash was understated by \$12,941 due to the recording of the revenue in the incorrect fund. This was adjusted to the financial statements and accounting records by management.

Failure to properly record transactions in the accounting records and failure of management to review the draft journal entries and financial statements hinders management's ability to monitor financial performance and may result in financial statement errors.

The City should exercise due care when posting transactions to help ensure the transactions are correct and posted to the proper funds and accounts. Management should also review the draft journal entries and financial statements to help ensure they are supported by sufficient documentation, reconciled to the trial balances, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and help ensure more accurate financial reporting.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**CITY OF MACEDONIA
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Noncompliance- Ohio Rev. Code § 5705.39: Appropriations exceeded estimated resources in the Capital Improvement Fund.	No	Partially Corrected. A similar comment is included in the Management Letter.
2013-002	Noncompliance- Ohio Rev. Code § 5705.41(D): Several expenditures were not properly certified	Yes	Finding No Longer Valid.
2013-003	Noncompliance- Ohio Rev. Code § 5705.14, 5705.15, and 5705.16: Interfund transfers were not properly approved.	No	Partially Corrected. A similar comment is included in the Management Letter.
2013-004	Significant Deficiency- Highland Road Bridge Project: On-behalf-of revenue and expenses from ODOT were not properly recorded and capital assets were understated.	No	Finding Repeated as Finding Number 2014-001

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CITY OF MACEDONIA

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 10, 2015**