

**CITY OF MACEDONIA**

**Summit County, Ohio**



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

**Basic Financial Statements**

**December 31, 2015**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Macedonia, Summit County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

September 26, 2016

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**CITY OF MACEDONIA, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Macedonia (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2015, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and Family Recreation Center Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 3 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Plattensburg & Associates, Inc.*

Plattensburg & Associates, Inc.  
Cincinnati, Ohio  
July 27, 2016

**City of Macedonia**  
**Summit County, Ohio**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
(Unaudited)

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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, 2015. 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 2015 are:

- City income tax revenue totaled \$8,069,108. This is a decrease of \$623,229 or 7.17 percent from 2014. The City has a 2.00 percent municipal income tax on substantially all income earned within the City.
- Total assets decreased by \$975,339, a 1.41 percent decrease from 2014.
- Total net position decreased by \$222,739, a 0.46 percent decrease from 2014's restated amount.
- Total capital assets, net of depreciation decreased \$122,797, a 0.23 percent decrease from 2014.
- Total outstanding long-term liabilities decreased \$681,301, a 3.51 percent decrease from 2014's restated amount.
- The total governmental fund balances for the City decreased from \$9,015,080 to \$7,050,166. The general fund ended the year with a fund balance of \$3,500,578, down \$1,999,713 from 2014's 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.

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**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 2015?" 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, the special assessment bond retirement fund and the capital improvement fund.

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**Summit County, Ohio**  
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***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.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 26-67 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability. The required supplementary information can be found on pages 68-74 of this report.

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**The City of Macedonia as a Whole**

The statement of net position provides the perspective of the City as a whole. Table 1 below provides a summary of the City's net position at December 31, 2015 and December 31, 2014. The net position at December 31, 2014 has been restated as described in Note 3.A.

**Table 1**  
**Net Position**  
Governmental Activities

	2015	Restated 2014	Change
<b><u>Assets</u></b>			
Current assets	\$ 14,145,852	\$ 14,998,394	\$ (852,542)
Capital assets, net	<u>53,869,812</u>	<u>53,992,609</u>	<u>(122,797)</u>
Total assets	<u>68,015,664</u>	<u>68,991,003</u>	<u>(975,339)</u>
<b><u>Deferred outflows of resources</u></b>			
Unamortized deferred charges	9,406	19,668	(10,262)
Pension	<u>1,408,022</u>	<u>924,609</u>	<u>483,413</u>
Total deferred outflows of resources	<u>1,417,428</u>	<u>944,277</u>	<u>473,151</u>
<b><u>Liabilities</u></b>			
Current liabilities	1,011,919	678,230	333,689
Long-term liabilities:			
Due within one year	1,630,878	1,565,677	65,201
Net pension liability	9,787,559	9,306,297	481,262
Other amounts	<u>7,306,051</u>	<u>8,533,815</u>	<u>(1,227,764)</u>
Total liabilities	<u>19,736,407</u>	<u>20,084,019</u>	<u>(347,612)</u>
<b><u>Deferred inflows of resources</u></b>			
Property taxes and PILOTs	1,947,163	1,928,334	18,829
Pension	<u>49,334</u>	<u>-</u>	<u>49,334</u>
Total deferred inflows of resources	<u>1,996,497</u>	<u>1,928,334</u>	<u>68,163</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	45,700,052	44,768,860	931,192
Restricted	2,872,542	1,843,677	1,028,865
Unrestricted (deficit)	<u>(872,406)</u>	<u>1,310,390</u>	<u>(2,182,796)</u>
Total net position	<u>\$ 47,700,188</u>	<u>\$ 47,922,927</u>	<u>\$ (222,739)</u>

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

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

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

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

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

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

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$56,304,596 to \$47,922,927.

The largest portion of the City's net position (96.56 percent) is investments in capital assets (e.g. land, right of ways, construction in progress, buildings and improvements, machinery and equipment, vehicles, and infrastructure), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets and deferred outflows of resources decreased by \$502,188 from 2014 to 2015. The City's total liabilities and deferred inflows of resources decreased \$279,449 for the same period. The change in current assets can be attributed to the decrease in cash and income tax receivable due to the decrease in income tax revenue.

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Table 2 below shows the changes in net position for fiscal years 2015 and 2014. The net position at December 31, 2014 has been restated as described in Note 3.A.

**Table 2**  
**Change in Net Position**

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>	<u>Change</u>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 3,543,630	\$ 2,576,182	\$ 967,448
Operating grants and contributions	809,587	707,143	102,444
Capital grants and contributions	<u>1,007,866</u>	<u>356,642</u>	<u>651,224</u>
Total program revenues	<u>5,361,083</u>	<u>3,639,967</u>	<u>1,721,116</u>
General revenues:			
Property taxes	2,257,570	2,137,862	119,708
Payment in Lieu of Taxes	529,215	767,735	(238,520)
Income taxes	8,069,108	8,692,337	(623,229)
Unrestricted grants and entitlements	610,752	584,845	25,907
Investment earnings	21,294	29,997	(8,703)
Miscellaneous	<u>42,221</u>	<u>197,719</u>	<u>(155,498)</u>
Total general revenues	<u>11,530,160</u>	<u>12,410,495</u>	<u>(880,335)</u>
Total revenues	<u>16,891,243</u>	<u>16,050,462</u>	<u>840,781</u>
Expenses:			
General government	2,509,887	2,433,160	76,727
Security of persons and property	6,718,132	6,538,998	179,134
Public health and welfare	191,744	209,714	(17,970)
Transportation	4,102,957	3,083,286	1,019,671
Community environment	1,065,043	1,294,051	(229,008)
Leisure time activity	1,762,479	1,776,113	(13,634)
Basic utility services	512,059	520,019	(7,960)
Interest and fiscal charges	<u>251,681</u>	<u>308,561</u>	<u>(56,880)</u>
Total expenses	<u>17,113,982</u>	<u>16,163,902</u>	<u>950,080</u>
Change in net position	(222,739)	(113,440)	(109,299)
Net position at beginning of year (restated)	<u>47,922,927</u>	N/A	N/A
Net position at end of year	<u>\$ 47,700,188</u>	<u>\$ 47,922,927</u>	<u>\$ (222,739)</u>

***Governmental Activities***

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$924,609 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$991,060.

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**Summit County, Ohio**  
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Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities
Total 2015 program expenses under GASB 68	\$ 17,113,982
Pension expense under GASB 68	(991,060)
2015 contractually required contributions	943,926
Adjusted 2015 program expenses	17,066,848
Total 2014 program expenses under GASB 27	16,163,902
Increase in program expenses not related to pension	\$ 902,946

The City's net position for governmental activities decreased \$222,739 during 2015. Table 2 indicates total revenues increased by \$840,781. At the same time program expenses increased by \$950,080. The increase in revenue is primarily a result of increases in charges for services related to special assessments and operating grants and contributions related to gas tax and motor vehicle and license fees. These increases were partially offset by decreases in income tax revenue and payment in lieu of taxes revenue.

Several types of revenues fund our governmental activities. With the City, income tax is a major revenue source. The income tax rate was 2.00 percent for 2015. 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 2015 increased by \$1,721,116. Operating grants and contributions increased \$102,444, capital grants and contributions increased \$651,224 and charges for services and sales increased \$967,448.

Total general revenues for 2015 decreased by \$880,335 compared to 2014. This decrease is largely due to the decrease in income tax revenue and payment in lieu of taxes revenue for 2015. The income tax revenues for 2015 were \$8,069,108. Of the \$16,891,243 in total revenues, income tax accounts for 47.77 percent of the total governmental revenues. Property taxes for 2015 were \$2,257,570.

During 2015, the City experienced a 5.88 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 2.74 percent in 2015. 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 \$2,509,887 for 2015.

**The City's Funds**

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

***Governmental Funds***

These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$20,021,811 and expenditures and other financing uses of \$21,986,725. Income tax is the City's largest revenue source.

The largest fund for the City is the general fund. The year-end fund balance for the general fund was \$3,500,578 on a modified accrual basis. This is a decrease of \$1,999,713 from the 2014 ending balance.

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The family recreation center fund ended the year with a fund balance of \$1,359,841. This is an increase of \$6,895 from the year-end balance in 2014.

The special assessment bond retirement fund ended the year with a fund balance of \$145,512. This a decrease of \$10,737 from the year-end balance in 2014.

The capital improvement fund ended the year with a fund balance of \$45,865. This is a decrease of \$263,809 from the year-end balance in 2014.

For all governmental funds, the end of year balances decreased \$1,964,914 from \$9,015,080 in 2014 to \$7,050,166 in 2015.

***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 \$10,405,250 and the final budgeted revenues were \$11,423,946. Actual revenues of \$11,172,946 were \$251,000 less than the final budget.

The original budget estimated expenditures and other financing uses were \$13,258,672 and the final budgeted expenditures and other financing uses were \$14,437,923. Actual expenditures and other financing uses were \$13,277,277. Actual expenditures were \$1,160,646 less than the final budget.

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**Capital Assets and Long-Term Obligations**

*Capital Assets*

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

	Governmental Activities	
	2015	2014
Land	\$ 7,549,828	\$ 7,150,851
Right of ways	844,030	844,030
Construction in Progress	516,573	9,107,323
Buildings and Improvements	8,347,748	8,519,545
Machinery and Equipment	989,119	1,105,945
Vehicles	1,839,120	1,825,852
Infrastructure		
Roads	20,273,383	11,531,115
Water Mains	3,942,420	4,064,422
Storm Sewers	7,479,903	7,710,454
Traffic Signals	104,970	107,811
Bridges	1,982,718	2,025,261
<i>Totals</i>	\$ 53,869,812	\$ 53,992,609

Total capital assets, net of depreciation for governmental activities of the City for 2015 were \$53,869,812, a \$122,797 decrease from the 2014 balance. The decrease is primarily due to depreciation expense of \$2,208,857 exceeding capital asset additions of \$2,086,060. See note 9 of the basic financial statements for additional information on capital assets.

*Long-Term Obligations*

On December 31, 2015, the City of Macedonia had \$5,465,000 in general obligation bonds, \$997,300 in special assessment bonds, \$567,987 in a lease purchase agreement, \$390,399 in OPWC loans, and \$502,000 in SIB loans outstanding.

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

	Governmental	
	2015	2014
General Obligation Bonds	\$ 5,465,000	\$ 6,605,000
Special Assessment Bonds	997,300	1,109,600
Lease purchase agreement	567,987	393,335
OPWC Loan	390,399	424,347
SIB Loans	502,000	502,000
<i>Totals</i>	\$ 7,922,686	\$ 9,034,282

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The City has issued general obligation bonds for various purposes and for the Recreation Center and City Hall/Safety Center. There is \$5,465,000 outstanding on the bonds. The special assessment bonds are for street construction on Highland Road and North Freeway Drive. The OPWC loan is for the North Freeway Drive project and is also being paid by special assessments. The leases purchase agreements were for eight police cruisers, two trucks and two dump trucks. The SIB loans are for the purchase of rights-of-way for the I-271 ramp project.

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

**Current Financial Related Activities**

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

In 2015, the General fund expenditures plus year-end encumbrances totaled \$13,277,277. This was \$1,160,646 below the General fund budget of \$14,437,923 due to departments conservative spending. In addition, the city ended 2015 with an unencumbered General fund cash balance of \$1,224,325 or 8.48% of the General fund budget, down nearly \$2 million from 2014. The City is experiencing growth as commercial and residential building permits have increased 36.25% from 2014.

**Contacting the City's Finance Department**

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

**BASIC  
FINANCIAL STATEMENTS**

**CITY OF MACEDONIA  
SUMMIT COUNTY, OHIO**

STATEMENT OF NET POSITION  
DECEMBER 31, 2015

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash, cash equivalents and investments. . .	\$ 6,067,746
Receivables:	
Income taxes. . . . .	3,436,035
Real and other taxes . . . . .	2,113,407
Accounts. . . . .	107,733
Special assessments . . . . .	1,214,628
Accrued interest . . . . .	13,447
Due from other governments. . . . .	1,074,455
Materials and supplies inventory. . . . .	118,048
Prepayments . . . . .	285
Net pension asset . . . . .	68
Capital assets:	
Non-depreciable assets . . . . .	8,910,431
Depreciable capital assets, net. . . . .	44,959,381
Total capital assets, net. . . . .	53,869,812
Total assets . . . . .	68,015,664
<b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding . . . . .	9,406
Pension - OPERS . . . . .	571,308
Pension - OP&F . . . . .	836,714
Total deferred outflows of resources . . . . .	1,417,428
<b>Liabilities:</b>	
Accounts payable. . . . .	264,295
Contracts payable. . . . .	109,059
Accrued wages and benefits payable . . . . .	223,630
Due to other governments . . . . .	394,353
Accrued interest payable . . . . .	20,582
Long-term liabilities:	
Due within one year . . . . .	1,630,878
Due in more than one year:	
Net pension liability . . . . .	9,787,559
Other amounts . . . . .	7,306,051
Total liabilities . . . . .	19,736,407
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	1,947,163
Pension - OPERS . . . . .	49,334
Total deferred inflows of resources . . . . .	1,996,497
<b>Net position:</b>	
Net investment in capital assets. . . . .	45,700,052
Restricted for:	
Debt service . . . . .	1,128,482
Capital projects . . . . .	537,837
Street construction and maintenance. . . . .	811,070
Fire services. . . . .	1,871
Police services and programs. . . . .	186,188
Other purposes. . . . .	207,094
Unrestricted (deficit). . . . .	(872,406)
Total net position . . . . .	\$ 47,700,188

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA  
SUMMIT COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental activities:</b>					
Current:					
General government. . . . .	\$ 2,509,887	\$ 1,275,049	\$ -	\$ -	\$ (1,234,838)
Security of persons and property . . .	6,718,132	946,415	38,694	-	(5,733,023)
Public health and welfare . . . . .	191,744	-	-	-	(191,744)
Transportation. . . . .	4,102,957	1,200	741,816	1,007,866	(2,352,075)
Community environment . . . . .	1,065,043	258,858	-	-	(806,185)
Basic utility services . . . . .	512,059	136,104	-	-	(375,955)
Leisure time activities. . . . .	1,762,479	926,004	29,077	-	(807,398)
Interest and fiscal charges. . . . .	251,681	-	-	-	(251,681)
Total governmental activities . . . . .	<u>\$ 17,113,982</u>	<u>\$ 3,543,630</u>	<u>\$ 809,587</u>	<u>\$ 1,007,866</u>	<u>(11,752,899)</u>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					1,785,039
Fire operating levy. . . . .					361,616
Police pension levy. . . . .					110,915
Income taxes levied for:					
General purposes . . . . .					6,964,676
Family recreation center. . . . .					1,104,432
Payments in lieu of taxes . . . . .					529,215
Grants and entitlements not restricted					
to specific programs . . . . .					610,752
Investment earnings . . . . .					21,294
Miscellaneous . . . . .					42,221
Total general revenues . . . . .					<u>11,530,160</u>
Change in net position . . . . .					(222,739)
<b>Net position at beginning of year (restated) .</b>					<u>47,922,927</u>
<b>Net position at end of year. . . . .</b>					<u>\$ 47,700,188</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA  
SUMMIT COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

	<u>General</u>	<u>Family Recreation Center</u>	<u>Special Assessment Bond Retirement</u>	<u>Capital Improvement</u>
<b>Assets:</b>				
Equity in pooled cash, cash equivalents and investments . . . . .	\$ 2,406,882	\$ 1,225,988	\$ 145,512	\$ 256,899
Receivables:				
Income taxes . . . . .	3,006,531	429,504	-	-
Real and other taxes . . . . .	1,598,889	-	-	-
Accounts . . . . .	107,107	-	-	-
Special assessments . . . . .	210,674	-	1,003,552	-
Interfund loans . . . . .	24,978	-	-	-
Accrued interest . . . . .	13,447	-	-	-
Due from other governments . . . . .	267,719	-	-	476,191
Materials and supplies inventory . . . . .	6,915	-	-	-
Prepayments . . . . .	-	-	-	-
Total assets . . . . .	<u>\$ 7,643,142</u>	<u>\$ 1,655,492</u>	<u>\$ 1,149,064</u>	<u>\$ 733,090</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 187,909	\$ 32,046	\$ -	\$ -
Contracts payable . . . . .	-	-	-	109,059
Accrued wages and benefits payable . . . . .	179,329	14,267	-	-
Compensated absences payable . . . . .	14,834	-	-	-
Interfund loans payable . . . . .	-	-	-	-
Due to other governments . . . . .	118,915	12,747	-	101,975
Total liabilities . . . . .	<u>500,987</u>	<u>59,060</u>	<u>-</u>	<u>211,034</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	1,466,737	-	-	-
Delinquent property tax revenue not available . . . . .	98,073	-	-	-
Special assessments revenue not available . . . . .	210,674	-	1,003,552	-
Miscellaneous revenue not available . . . . .	74,315	-	-	-
Income tax revenue not available . . . . .	1,656,136	236,591	-	-
Intergovernmental revenue not available . . . . .	135,642	-	-	476,191
Total deferred inflows of resources . . . . .	<u>3,641,577</u>	<u>236,591</u>	<u>1,003,552</u>	<u>476,191</u>
<b>Fund balances:</b>				
Nonspendable . . . . .	14,681	-	-	-
Restricted . . . . .	-	-	145,512	45,865
Committed . . . . .	511,000	1,359,841	-	-
Assigned . . . . .	283,157	-	-	-
Unassigned (deficit) . . . . .	2,691,740	-	-	-
Total fund balances . . . . .	<u>3,500,578</u>	<u>1,359,841</u>	<u>145,512</u>	<u>45,865</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 7,643,142</u>	<u>\$ 1,655,492</u>	<u>\$ 1,149,064</u>	<u>\$ 733,090</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,032,465	\$ 6,067,746
-	3,436,035
514,518	2,113,407
626	107,733
402	1,214,628
-	24,978
-	13,447
330,545	1,074,455
111,133	118,048
285	285
<u>\$ 2,989,974</u>	<u>\$ 14,170,762</u>
\$ 44,340	\$ 264,295
-	109,059
30,034	223,630
-	14,834
24,978	24,978
160,716	394,353
<u>260,068</u>	<u>1,031,149</u>
480,426	1,947,163
34,092	132,165
402	1,214,628
-	74,315
-	1,892,727
216,616	828,449
<u>731,536</u>	<u>6,089,447</u>
111,418	126,099
1,118,973	1,310,350
792,957	2,663,798
-	283,157
(24,978)	2,666,762
<u>1,998,370</u>	<u>7,050,166</u>
<u>\$ 2,989,974</u>	<u>\$ 14,170,762</u>

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**CITY OF MACEDONIA  
SUMMIT COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2015

<b>Total governmental fund balances</b>	\$	7,050,166
<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.		53,869,812
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 1,892,727	
Real and other taxes receivable	132,165	
Intergovernmental receivable	828,449	
Special assessments receivable	1,214,628	
Accounts receivable	74,315	
Total	4,142,284	4,142,284
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(20,582)
Unamortized deferred amounts on refundings are not recognized in governmental funds.		9,406
Unamortized premiums on bond issuances are not recognized in governmental funds.		(147,421)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Net pension asset	68	
Deferred outflows of resources	1,408,022	
Deferred inflows of resources	(49,334)	
Net pension liability	(9,787,559)	
Total	(8,428,803)	(8,428,803)
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	(851,988)	
Lease purchase agreement	(567,987)	
General obligation bonds payable	(5,465,000)	
OPWC loans payable	(390,399)	
SIB Loans payable	(502,000)	
Special assessment bonds	(997,300)	
Total	(8,774,674)	(8,774,674)
<b>Net position of governmental activities</b>	<b>\$</b>	<b>47,700,188</b>

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, 2015

	<u>General</u>	<u>Family Recreation Center</u>	<u>Special Assessment Bond Retirement</u>	<u>Capital Improvement</u>
<b>Revenues:</b>				
Income taxes . . . . .	\$ 7,487,624	\$ 1,067,569	\$ -	\$ -
Real and other taxes. . . . .	1,785,480	-	-	-
Charges for services. . . . .	511,779	738,930	-	-
Licenses and permits . . . . .	262,086	-	-	-
Fines and forfeitures . . . . .	472,304	-	-	-
Intergovernmental. . . . .	569,407	-	-	531,675
Special assessments . . . . .	2,814	-	254,030	-
Investment income. . . . .	21,294	-	-	-
Rental income . . . . .	22,503	-	-	-
Contributions and donations. . . . .	-	-	-	-
Payments in lieu of taxes. . . . .	-	-	-	-
Other . . . . .	42,194	218	-	27
Total revenues . . . . .	<u>11,177,485</u>	<u>1,806,717</u>	<u>254,030</u>	<u>531,702</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	2,438,211	-	5,888	-
Security of persons and property . . . . .	5,447,858	-	-	-
Public health and welfare. . . . .	220,079	-	-	-
Transportation . . . . .	-	-	-	-
Community environment . . . . .	532,687	-	-	-
Leisure time activities . . . . .	-	1,183,110	-	-
Basic utility services . . . . .	98,576	-	-	-
Capital outlay . . . . .	307,549	-	-	2,942,452
Debt service:				
Principal retirement. . . . .	634,062	581,400	167,912	-
Interest and fiscal charges . . . . .	169,413	35,312	90,967	-
Total expenditures . . . . .	<u>9,848,435</u>	<u>1,799,822</u>	<u>264,767</u>	<u>2,942,452</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>1,329,050</u>	<u>6,895</u>	<u>(10,737)</u>	<u>(2,410,750)</u>
<b>Other financing sources (uses):</b>				
Capital lease transaction. . . . .	271,778	-	-	-
Transfers in . . . . .	-	-	-	2,146,941
Transfers (out). . . . .	<u>(3,600,541)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) . . . . .	<u>(3,328,763)</u>	<u>-</u>	<u>-</u>	<u>2,146,941</u>
Net change in fund balances . . . . .	(1,999,713)	6,895	(10,737)	(263,809)
<b>Fund balances at beginning of year . . . . .</b>	<u>5,500,291</u>	<u>1,352,946</u>	<u>156,249</u>	<u>309,674</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,500,578</u>	<u>\$ 1,359,841</u>	<u>\$ 145,512</u>	<u>\$ 45,865</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 8,555,193
584,455	2,369,935
300,678	1,551,387
3,850	265,936
20,034	492,338
834,503	1,935,585
-	256,844
-	21,294
73,676	96,179
30,837	30,837
529,215	529,215
2,310	44,749
<u>2,379,558</u>	<u>16,149,492</u>
6,179	2,450,278
594,134	6,041,992
-	220,079
1,809,150	1,809,150
543,050	1,075,737
443,161	1,626,271
59,949	158,525
75,085	3,325,086
-	1,383,374
-	295,692
<u>3,530,708</u>	<u>18,386,184</u>
<u>(1,151,150)</u>	<u>(2,236,692)</u>
-	271,778
1,453,600	3,600,541
-	(3,600,541)
<u>1,453,600</u>	<u>271,778</u>
302,450	(1,964,914)
1,695,920	9,015,080
<u>\$ 1,998,370</u>	<u>\$ 7,050,166</u>

**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, 2015

<b>Net change in fund balances - total governmental funds</b>	\$	(1,964,914)
<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.		
Capital asset additions	\$ 2,086,060	
Current year depreciation	(2,208,857)	
Total		(122,797)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	(597,655)	
Real and other taxes	(795)	
Intergovernmental revenues	463,543	
Special assessments	863,101	
Accounts	13,557	
Total		741,751
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		1,383,374
Issuance of leases 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.		
		(271,778)
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
Accrued interest payable	3,220	
Amortization of deferred amounts on refunding	(10,262)	
Amortization of bond premiums and discounts	51,053	
Total		44,011
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows		
		943,926
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(991,060)
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.		
		14,748
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>(222,739)</b>

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 6,774,284	\$ 7,437,500	\$ 7,514,807	\$ 77,307
Real and other taxes. . . . .	1,754,635	1,926,418	1,789,520	(136,898)
Charges for services. . . . .	524,897	576,285	489,151	(87,134)
Licenses and permits . . . . .	327,898	360,000	262,086	(97,914)
Fines and forfeitures . . . . .	405,455	445,150	473,341	28,191
Intergovernmental. . . . .	481,675	528,832	537,975	9,143
Special assessments. . . . .	13,662	15,000	2,814	(12,186)
Investment income . . . . .	40,987	45,000	37,869	(7,131)
Rental income. . . . .	20,038	20,000	22,953	953
Other . . . . .	27,325	30,000	42,430	12,430
Total revenues . . . . .	<u>10,370,856</u>	<u>11,386,185</u>	<u>11,172,946</u>	<u>(213,239)</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	2,447,760	2,839,208	2,429,393	409,815
Security of persons and property . . . . .	5,808,640	5,999,750	5,488,988	510,762
Public health and welfare. . . . .	221,000	227,325	220,079	7,246
Community environment . . . . .	637,769	695,396	563,275	132,121
Leisure time activities . . . . .	2,000	2,000	-	2,000
Utility services . . . . .	169,097	186,874	115,333	71,541
Capital outlay . . . . .	71,425	75,850	56,193	19,657
Debt service:				
Principal retirement. . . . .	803,481	589,545	589,545	-
Interest and fiscal charges . . . . .	-	213,934	213,930	4
Total expenditures . . . . .	<u>10,161,172</u>	<u>10,829,882</u>	<u>9,676,736</u>	<u>1,153,146</u>
Excess of revenues over expenditures. . . . .	<u>209,684</u>	<u>556,303</u>	<u>1,496,210</u>	<u>939,907</u>
<b>Other financing uses:</b>				
Transfers in . . . . .	34,394	37,761	-	(37,761)
Transfers (out). . . . .	(3,097,500)	(3,608,041)	(3,600,541)	7,500
Total other financing uses . . . . .	<u>(3,063,106)</u>	<u>(3,570,280)</u>	<u>(3,600,541)</u>	<u>(30,261)</u>
Net change in fund balances . . . . .	(2,853,422)	(3,013,977)	(2,104,331)	909,646
<b>Fund balances at beginning of year . . . . .</b>	3,123,927	3,123,927	3,123,927	-
<b>Prior year encumbrances appropriated . . . . .</b>	204,729	204,729	204,729	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 475,234</u>	<u>\$ 314,679</u>	<u>\$ 1,224,325</u>	<u>\$ 909,646</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 943,349	\$ 1,065,147	\$ 1,071,453	\$ 6,306
Charges for services. . . . .	667,459	753,636	758,098	4,462
Other . . . . .	192	217	218	1
Total revenues . . . . .	<u>1,611,000</u>	<u>1,819,000</u>	<u>1,829,769</u>	<u>10,769</u>
<b>Expenditures:</b>				
Current:				
Leisure time activities . . . . .	1,339,483	1,361,053	1,191,413	169,640
Debt service:				
Principal retirement. . . . .	581,400	581,400	581,400	-
Interest and fiscal charges . . . . .	35,312	35,312	35,312	-
Total expenditures . . . . .	<u>1,956,195</u>	<u>1,977,765</u>	<u>1,808,125</u>	<u>169,640</u>
Net change in fund balances . . . . .	(345,195)	(158,765)	21,644	180,409
<b>Fund balances at beginning of year . . . . .</b>	1,168,412	1,168,412	1,168,412	-
<b>Prior year encumbrances appropriated . . .</b>	21,570	21,570	21,570	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 844,787</u>	<u>\$ 1,031,217</u>	<u>\$ 1,211,626</u>	<u>\$ 180,409</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, 2015

		<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash, cash equivalents and investments. . . . .	\$	348,289
Receivables:		
Income taxes. . . . .		26,482
Total assets . . . . .	\$	374,771
<b>Liabilities:</b>		
Accounts payable . . . . .	\$	326
Intergovernmental payable. . . . .		22,418
Deposits held and due to others. . . . .		352,027
Total liabilities . . . . .	\$	374,771

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

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**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 15 and 16 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.

***A. Basis of Presentation***

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

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

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

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

**B. Fund Accounting**

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

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

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

**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.

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

***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.

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

***D. Basis of Accounting***

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

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***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 6) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

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

***E. Budgetary Process***

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

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

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

***F. Cash and Cash Equivalents***

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

During 2015, the City's investments were limited to money market funds, U.S. Treasury notes and bills, Federal Home Loan Bank (FHLB) securities, Freddie Mac (Federal Home Loan Mortgage Corporation or FHLMC) securities, Fannie Mae (Federal National Mortgage Association or FNMA) 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, 2015.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2015 amounted to \$21,294, which includes \$11,239 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, 2015, 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. At year end, because prepayments are not available to finance future governmental fund expenditures, a nonspendable fund balance is recorded by an amount equal to the carrying value of the asset on the fund financial statements.

***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.

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

***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.

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.

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***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.

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, 2015

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**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, 2015

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**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. Neither occurred in 2015.

***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.

***T. Pensions***

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

**Note 3 - Accountability and Compliance**

***A. Change in Accounting Principles/Restatement of Net Position***

For 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

**Note 3 - Accountability and Compliance (Continued)**

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the City's pension plan disclosures, as presented in Note 11 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities and business-type activities at January 1, 2015 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 56,304,596
Deferred outflows - payments subsequent to measurement date	924,609
Net pension assets	19
Net pension liability	(9,306,297)
Restated net position at January 1, 2015	\$ 47,922,927

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on governmental fund balances.

***B. Deficit Fund Balances***

Fund balances at December 31, 2015 included the following individual fund deficits:

Nonmajor funds	Deficit
Highland Road Bridge	\$ 24,978

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

**Note 4 - Budgetary Basis of Accounting**

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

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

**Note 4 - Budgetary Basis of Accounting - (Continued)**

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).

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

**Net Change in Fund Balance**

	<u>General fund</u>	Family Recreation <u>Center fund</u>
Budget basis	\$ (2,104,331)	\$ 21,644
Net adjustment for revenue accruals	2,112	(23,052)
Net adjustment for expenditure accruals	(383,800)	(6,059)
Net adjustment for other sources/uses	271,778	-
Funds budgeted elsewhere	2,427	-
Adjustment for encumbrances	<u>212,101</u>	<u>14,362</u>
GAAP basis	<u>\$ (1,999,713)</u>	<u>\$ 6,895</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.

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

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**Note 5 - Deposits and Investments**

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

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

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

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

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

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

**City of Macedonia**  
**Summit County, Ohio**  
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For the Year Ended December 31, 2015

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**Note 5 - Deposits and Investments (Continued)**

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

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

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

***Cash on Hand***

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

***Deposits***

At December 31, 2015, the carrying amount of all City deposits was \$3,611,195. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2015, \$3,237,191 of the City’s bank balance of \$3,737,191 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.

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

**Note 5 - Deposits and Investments (Continued)**

**Investments**

All investments are in an internal investment pool. As of December 31, 2015, 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	\$ 62,653	\$ 62,653	\$ -	\$ -	\$ -	\$ -
Fifth Third money market funds	34,390	34,390	-	-	-	-
FHLB	107,066	-	-	-	-	107,066
Freddie Mac	583,833	75,577	100,805	-	199,559	207,892
Fannie Mae	1,035,392	201,450	125,504	256,561	199,107	252,770
U.S. Treasury bill	236,810	-	-	-	-	236,810
U.S. Treasury note	743,521	-	-	-	-	743,521
Total	<u>\$ 2,803,665</u>	<u>\$ 374,070</u>	<u>\$ 226,309</u>	<u>\$ 256,561</u>	<u>\$ 398,666</u>	<u>\$ 1,548,059</u>

The weighted average maturity of investments is 1.52 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.

**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 AAA 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, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 62,653	2.23
U.S. Government money market fund	34,390	1.23
FHLB	107,066	3.82
Freddie Mac	583,833	20.82
Fannie Mae	1,035,392	36.93
U.S. Treasury bills	236,810	8.45
U.S. Treasury notes and bonds	743,521	26.52
Total	<u>\$ 2,803,665</u>	<u>100.00</u>

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

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**Note 5 - Deposits and Investments (Continued)**

**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, 2015:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 3,611,195
Investments	2,803,665
Cash on hand	<u>1,175</u>
Total	<u>\$ 6,416,035</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 6,067,746
Agency funds	<u>348,289</u>
Total	<u>\$ 6,416,035</u>

**Note 6 - Receivables**

Receivables at December 31, 2015, 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 \$210,674 in the general fund, \$1,003,552 in the special assessment bond retirement fund and \$402 in the water maintenance expense fund. At December 31, 2015 the amount of delinquent special assessments was \$6,671.

**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.

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

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**Note 6 - Receivables (Continued)**

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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 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, 2015 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 2015 operations and the collection of delinquent taxes has been offset by deferred inflows of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2015 was \$8.90 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2015 property tax receipts were based are as follows:

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

**B. Income Taxes**

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

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

**Note 6 - Receivables (Continued)**

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.

**C. Intergovernmental Receivable**

A summary of the principal items of intergovernmental receivables follows:

<b>Governmental activities:</b>	<u>Amount</u>
Local Government	\$ 87,500
Homestead and Rollback	105,000
Street Construction, Maintenance and Repair	280,224
State Highway	17,233
Motor Vehicle License	8,038
ODOT Reimbursements	476,191
Other	<u>100,269</u>
<i>Total Governmental Activities</i>	<u>\$ 1,074,455</u>

**Note 7 - Compensated Absences**

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

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

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

**Note 8 - Interfund Transactions**

- A.** Interfund transfers for the year ended December 31, 2015, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Capital Improvements	\$ 2,146,941
Nonmajor governmental funds	1,453,600
 Total	 \$ 3,600,541

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, 2015, as reported on the fund financial statements:

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

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, 2015

**Note 9 - Capital Assets**

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance 1/1/15	Additions	Deletions	Balance 12/31/15
<b>Governmental activities:</b>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 7,150,851	\$ 398,977	\$ -	\$ 7,549,828
Right-of-Ways	844,030	-	-	844,030
Construction in Progress	9,107,323	1,261,901	(9,852,651)	516,573
<i>Total Capital Assets Not Being Depreciated</i>	<u>17,102,204</u>	<u>1,660,878</u>	<u>(9,852,651)</u>	<u>8,910,431</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	12,509,563	85,318	-	12,594,881
Machinery and Equipment	2,324,692	87,456	-	2,412,148
Vehicles	4,065,081	302,797	-	4,367,878
Infrastructure:				
Roads	24,853,840	9,797,016	-	34,650,856
Water Mains	6,081,442	-	-	6,081,442
Storm Sewers	11,527,484	-	-	11,527,484
Traffic Signals	244,917	5,246	-	250,163
Bridges	2,127,127	-	-	2,127,127
<i>Total Capital Assets Being Depreciated</i>	<u>63,734,146</u>	<u>10,277,833</u>	<u>-</u>	<u>74,011,979</u>
<i>Less Accumulated Depreciation</i>				
Buildings and Improvements	(3,990,018)	(257,115)	-	(4,247,133)
Machinery and Equipment	(1,218,747)	(204,282)	-	(1,423,029)
Vehicles	(2,239,229)	(289,529)	-	(2,528,758)
Infrastructure:				
Roads	(13,322,725)	(1,054,748)	-	(14,377,473)
Water Mains	(2,017,020)	(122,002)	-	(2,139,022)
Storm Sewers	(3,817,030)	(230,551)	-	(4,047,581)
Traffic Signals	(137,106)	(8,087)	-	(145,193)
Bridges	(101,866)	(42,543)	-	(144,409)
<i>Total Accumulated Depreciation</i>	<u>(26,843,741)</u>	<u>(2,208,857)</u>	<u>-</u>	<u>(29,052,598)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>36,890,405</u>	<u>8,068,976</u>	<u>-</u>	<u>44,959,381</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 53,992,609</u>	<u>\$ 9,729,854</u>	<u>\$ (9,852,651)</u>	<u>\$ 53,869,812</u>

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

**Note 9 - Capital Assets (Continued)**

Depreciation expense was charged to governmental functions as follow:

General government	\$ 113,982
Security of persons and property	227,028
Leisure time activities	157,079
Basic utility services	353,716
Community environment	648
Transportation	<u>1,356,404</u>
Total	<u>\$ 2,208,857</u>

**Note 10 - Risk Management**

**A. Property and Liability**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. As of December 31, 2015, 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:

Property Dwelling	cash value	1,000
General Liability	6,000,000	No deductible
Automobile Liability	6,000,000	1,000
Municipal Attorney & Law Directors Liability	1,000,000	25,000
Employer Liability	1,000,000	No deductible
Emergency Medical Services Liability	6,000,000	25,000
Miscellaneous Equipment (Scheduled)	cash value	1,000
Miscellaneous Equipment (Unscheduled)	cash value	1,000
Tower and Antenna	cash value	1,000
Public Officials Liability	6,000,000	25,000
Law Enforcement	6,000,000	25,000
Employee Benefits Liability (per act)	1,000,000	No deductible
Inland Marine Liability	cash value	1,000
Uninsured/Underinsured Motorist	50,000	No deductible
Hired/Borrowed Physical Damage	50,000	1,000

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

**B. Workers' Compensation**

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

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

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**Note 11 – Defined Benefit Pension Plans**

***Net Pension Liability/Asset***

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

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

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

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

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

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

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

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
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**Note 11 – Defined Benefit Pension Plans (Continued)**

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

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

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

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

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

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

**City of Macedonia**  
**Summit County, Ohio**  
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**Note 11 – Defined Benefit Pension Plans (Continued)**

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member’s FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member’s FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS’s Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2015 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

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

The City’s contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$414,973 for 2015. Of this amount, \$51,523 is reported as pension and post-employment benefits payable.

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
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**Note 11 – Defined Benefit Pension Plans (Continued)**

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

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

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

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

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

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

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

**City of Macedonia**  
**Summit County, Ohio**  
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**Note 11 – Defined Benefit Pension Plans (Continued)**

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

	<u>Police</u>	<u>Firefighters</u>
<b>2015 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
 <b>2015 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50 %</u>	<u>0.50 %</u>
 Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
 Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$528,953 for 2015. Of this amount \$64,966 is reported as pension and post-employment benefits payable.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 2,806,984	\$ 6,980,575	\$ 9,787,559
Proportionate share of the net pension asset	68	-	68
Proportion of the net pension liability	0.02327300%	0.13474930%	
Proportion of the net pension asset	0.00017700%	-	
Pension expense	\$ 308,412	\$ 682,648	\$ 991,060

**City of Macedonia**  
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**Note 11 – Defined Benefit Pension Plans (Continued)**

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 149,776	\$ 300,856	\$ 450,632
Difference between employer contributions and proportionate share of contributions	6,559	6,905	13,464
City contributions subsequent to the measurement date	414,973	528,953	943,926
Total deferred outflows of resources	<u>\$ 571,308</u>	<u>\$ 836,714</u>	<u>\$ 1,408,022</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 49,334	\$ -	\$ 49,334
Total deferred inflows of resources	<u>\$ 49,334</u>	<u>\$ -</u>	<u>\$ 49,334</u>

\$943,926 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2016.

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

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Year Ending December 31:			
2016	\$ 17,716	\$ 76,940	\$ 94,656
2017	17,716	76,940	94,656
2018	34,141	76,940	111,081
2019	37,442	76,941	114,383
2020	(2)	-	(2)
Thereafter	(12)	-	(12)
Total	<u>\$ 107,001</u>	<u>\$ 307,761</u>	<u>\$ 414,762</u>

***Actuarial Assumptions - OPERS***

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

**City of Macedonia**  
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Notes to Basic Financial Statements  
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**Note 11 – Defined Benefit Pension Plans (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

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

**City of Macedonia**  
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**Note 11 – Defined Benefit Pension Plans (Continued)**

The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
<b>Total</b>	<b>100.00 %</b>	<b>5.28 %</b>

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

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 5,164,046	\$ 2,806,984	\$ 821,770
Combined Plan	9	(68)	(129)

**City of Macedonia**  
**Summit County, Ohio**  
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**Note 11 – Defined Benefit Pension Plans (Continued)**

*Actuarial Assumptions – OP&F*

OP&F's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8.25 percent
Projected salary increases	4.25 percent to 11 percent
Payroll increases	3.75 percent
Inflation assumptions	3.25 percent
Cost of living adjustments	2.60 percent and 3.00 percent

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

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

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

**City of Macedonia**  
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**Note 11 – Defined Benefit Pension Plans (Continued)**

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2014 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

\* levered 2x

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

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

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
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**Note 11 – Defined Benefit Pension Plans (Continued)**

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 9,655,192	\$ 6,980,575	\$ 4,715,989

**Note 12 - Post-employment Benefit Plans**

**A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. 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 health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment health care 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 health care 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.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015, 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 post-employment health care benefits. The portion of employer contributions allocated to fund post-employment health care for members in the Traditional Plan and Combined Plan for 2015 was 2.00%.

**City of Macedonia**  
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**Note 12 - Post-employment Benefit Plans (Continued)**

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 health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$69,162, \$57,096, and \$27,873, respectively; 89.36% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as pension and post-employment benefits payable 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 post-employment 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 OPF, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at [www.op-f.org](http://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  
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**Note 12 - Post-employment 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 2015, 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 health care benefits for police officers and firefighters were \$7,905 and \$5,031 for the year ended December 31, 2015, \$7,968 and \$5,546 for the year ended December 31, 2014, and \$35,625 and \$26,854 for the year ended December 31, 2013. 100% has been contributed for 2014 and 2013. 86.49% has been contributed for police and 89.90% has been contributed for firefighters for 2015. The remaining 2015 post-employment health care benefits liability has been reported as pension and post-employment benefits payable on the basic financial statements.

**Note 13 - Capital Leases**

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

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**Note 13 - Capital Leases (Continued)**

**Lease Purchase Agreement**

During the current year and in a previous year, the City entered into a lease-purchase agreement with a local bank to finance the purchase of eight vehicles, two trucks and two dump trucks. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the City. The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement as of December 31, 2015.

Years	Lease Purchase Agreement	
	Principal	Interest
2016	\$ 151,047	\$ 15,560
2017	143,054	11,147
2018	106,652	7,347
2019	109,573	4,426
2020	57,661	1,753
Total	\$ 567,987	\$ 40,233

Capital assets acquired by lease have been capitalized and depreciated as follows as of December 31, 2015:

**Governmental Activities**

***Capital Assets, being depreciated:***

Vehicles	\$ 798,724
Less: Accumulated Depreciation	(176,519)
<i>Capital Assets, Net</i>	\$ 622,205

**Note 14 - Long-Term Obligations**

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities:</b>			
<b>General Obligation Bonds</b>			
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
<b>Special Assessments</b>			
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
<b>Ohio Public Works Commission Loan (OPWC)</b>			
North Freeway Drive Project, 2005	-	678,957	December 1, 2027
<b>State Infrastructure Bank Loan for</b>			
<b>1-271 ramp project, 2014</b>	3.00	502,000	July 31, 2034

**City of Macedonia**  
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**Note 14 - Long-Term Obligations (Continued)**

Changes in long-term obligations of the City during 2015 are as follows. The amounts at December 31, 2014 have been restated as described in Note 3.A.

	Restated Balance 12/31/14	Increase	Decrease	Balance 12/31/15	Amounts Due in One Year
<b>General Obligation Bonds</b>					
Various Purpose Refunding Bonds, 2011	\$ 2,065,000	\$ -	\$ (1,020,000)	\$ 1,045,000	\$ 1,045,000
Various Purpose Bonds, 2010	4,540,000	-	(120,000)	4,420,000	70,000
<i>Total General Obligation Bonds</i>	<u>6,605,000</u>	<u>-</u>	<u>(1,140,000)</u>	<u>5,465,000</u>	<u>1,115,000</u>
<b>Special Assessment Bonds with Governmental Commitment</b>					
Highland Road Improvement Variance, 2003					
Serial Bonds	65,000	-	(65,000)	-	-
Term bonds	605,000	-	-	605,000	65,000
Highland Road Improvement, 1996	48,200	-	(23,400)	24,800	24,800
North Freeway Drive, 2006	391,400	-	(23,900)	367,500	25,300
<i>Total Special Assessment Bonds</i>	<u>1,109,600</u>	<u>-</u>	<u>(112,300)</u>	<u>997,300</u>	<u>115,100</u>
<b>Ohio Department of Transportation (ODOT)</b>					
State Infrastructure Bank Loans (I-271 Ramp)	502,000	-	-	502,000	-
<b>Ohio Public Works Commission Loan (OPWC)</b>					
North Freeway Drive Project, 2005	424,347	-	(33,948)	390,399	33,948
Net Pension Liability	9,306,297	481,262	-	9,787,559	-
Compensated Absences Payable	866,736	182,389	(182,303)	866,822	215,783
Lease Purchase Agreement	393,335	271,778	(97,126)	567,987	151,047
Total Governmental Long-Term Liabilities	<u>\$ 19,207,315</u>	<u>\$ 935,429</u>	<u>\$ (1,565,677)</u>	<u>\$ 18,577,067</u>	<u>\$ 1,630,878</u>
			Add: Unamortized Premium	<u>147,421</u>	
			Total on Statement of Net Position	<u>\$ 18,724,488</u>	

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

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

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**Note 14 - 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, 2015

**Note 14 - 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, 2015, are as follows:

Years	General Obligation Bonds		Special Assessment Bonds		OPWC Loans	SIB Loans	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
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	265,000	143,600	106,200	26,461	33,948	63,529	9,650
2021 - 2025	1,515,000	549,000	433,700	60,033	169,738	258,849	28,639
2026 - 2030	1,810,000	221,400	43,000	1,743	50,921	-	-
Total	<u>\$ 5,465,000</u>	<u>\$1,598,500</u>	<u>\$ 997,300</u>	<u>\$ 239,562</u>	<u>\$390,399</u>	<u>\$502,000</u>	<u>\$ 83,437</u>

**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, 2015, the City's total debt margin was \$37,532,293 (including available funds of \$145,512) and the unvoted debt margin was \$22,446,171.

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

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**Note 15 - Jointly Governed Organization**

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

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments 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 2015. 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](http://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, 2015

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**Note 16 - Joint Venture**

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

Continued existence of the JEDD is dependent on the City's continued participation; however, the City does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. In 2015, the JEDD had total distributions of \$238,577 of which \$119,289 went to the City. Complete financial statements can be obtained from the Northfield Center Township-Macedonia Joint Economic Development District, City of Macedonia Finance Department, 9691 Valley View Road, Macedonia, Ohio, 44056.

**Note 17 - Tax Increment Financing District (TIF)**

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

PILOT revenue was \$529,215 in 2015 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, 2015

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**Note 18 - Contingencies**

**A. Grants**

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2015.

**B. Litigation**

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

**Note 19 - Other Commitments**

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

<u>Fund</u>	<u>Year-End</u> <u>Encumbrances</u>
General fund	\$ 171,713
Family Recreation Center	1,253
Capital Improvement	138,444
Other nonmajor governmental	<u>173,880</u>
Total	<u>\$ 485,290</u>

**City of Macedonia**  
**Summit County, Ohio**  
Notes to Basic Financial Statements  
For the Year Ended December 31, 2015

**Note 20 - Fund Balance**

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

Fund balance	General	Family Recreation Center Fund	Special Assessment Bond Retirement	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Materials and supplies inventory	\$ 6,915	\$ -	\$ -	\$ -	\$ 111,133	\$ 118,048
Unclaimed monies	7,766	-	-	-	-	7,766
Prepays	-	-	-	-	285	285
Total nonspendable	<u>14,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,418</u>	<u>126,099</u>
Restricted:						
Security of persons and property	-	-	-	-	262,468	262,468
Transportation	-	-	-	-	747,361	747,361
Community environment	-	-	-	-	16,283	16,283
Leisure time activities	-	-	-	-	43,807	43,807
Debt service	-	-	145,512	-	-	145,512
Capital projects	-	-	-	45,865	15,781	61,646
Other	-	-	-	-	33,273	33,273
Total restricted	<u>-</u>	<u>-</u>	<u>145,512</u>	<u>45,865</u>	<u>1,118,973</u>	<u>1,310,350</u>
Committed:						
Security of persons and property	-	-	-	-	72,359	72,359
Community environment	-	-	-	-	8,665	8,665
Leisure time activities	-	1,359,841	-	-	329,328	1,689,169
Retirement reserve	500,000	-	-	-	-	500,000
Underground storage tank	11,000	-	-	-	-	11,000
Capital projects	-	-	-	-	43,977	43,977
Utility services	-	-	-	-	338,628	338,628
Total committed	<u>511,000</u>	<u>1,359,841</u>	<u>-</u>	<u>-</u>	<u>792,957</u>	<u>2,663,798</u>
Assigned:						
General government	43,190	-	-	-	-	43,190
Security of persons and property	72,828	-	-	-	-	72,828
Community environment	29,162	-	-	-	-	29,162
Utility services	11,128	-	-	-	-	11,128
Subsequent year appropriations	111,444	-	-	-	-	111,444
Capital outlay	15,405	-	-	-	-	15,405
Total assigned	<u>283,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>283,157</u>
Unassigned (deficit)	<u>2,691,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,978)</u>	<u>2,666,762</u>
Total fund balances	<u>\$ 3,500,578</u>	<u>\$ 1,359,841</u>	<u>\$ 145,512</u>	<u>\$ 45,865</u>	<u>\$ 1,998,370</u>	<u>\$ 7,050,166</u>

**Note 21 - Subsequent Event**

Rhonda C. Hall, C.P.A. became Finance Director of the City on January 15, 2016.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MACEDONIA, OHIO  
SUMMIT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY/COUNTY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY/NET PENSION ASSET  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	<b>2014</b>	<b>2013</b>
<i>Traditional Plan:</i>		
City's proportion of the net pension liability	0.023273%	0.023273%
City's proportionate share of the net pension liability	\$ 2,806,984	\$ 2,743,583
City's covered-employee payroll	\$ 2,933,192	\$ 2,787,623
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	95.70%	98.42%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%
<i>Combined Plan:</i>		
City's proportion of the net pension asset	0.000177%	0.000177%
City's proportionate share of the net pension asset	\$ 68	\$ 19
City's covered-employee payroll	\$ 650	\$ 846
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	10.46%	2.25%
Plan fiduciary net position as a percentage of the total pension asset	114.83%	104.56%

Note: Information prior to 2013 was unavailable.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MACEDONIA, OHIO  
SUMMIT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TWO YEARS

	<b>2014</b>	<b>2013</b>
City's proportion of the net pension liability	0.13474930%	0.13474930%
City's proportionate share of the net pension liability	\$ 6,980,575	\$ 6,562,714
City's covered-employee payroll	\$ 2,747,693	\$ 1,925,749
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	254.05%	340.79%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	73.00%

Note: Information prior to 2013 was unavailable.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MACEDONIA, OHIO  
SUMMIT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 414,900	\$ 351,983	\$ 362,391	\$ 265,688
Contributions in relation to the contractually required contribution	<u>(414,900)</u>	<u>(351,983)</u>	<u>(362,391)</u>	<u>(265,688)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,457,500	\$ 2,933,192	\$ 2,787,623	\$ 2,656,880
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 73	\$ 78	\$ 110	\$ 647
Contributions in relation to the contractually required contribution	<u>(73)</u>	<u>(78)</u>	<u>(110)</u>	<u>(647)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 608	\$ 650	\$ 846	\$ 8,138
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	7.95%

(1) Information prior to 2010 not available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 254,747	\$ 236,433	\$ 247,237	\$ 271,896	\$ 291,242	\$ 262,659
<u>(254,747)</u>	<u>(236,433)</u>	<u>(247,237)</u>	<u>(271,896)</u>	<u>(291,242)</u>	<u>(262,659)</u>
<u>\$ -</u>					
\$ 2,547,470	\$ 2,651,585	\$ 3,042,917	\$ 3,884,229	\$ 3,487,928	\$ 2,854,989
10.00%	8.92%	8.13%	7.00%	8.35%	9.20%
\$ 989	\$ 916				
<u>(989)</u>	<u>(916)</u>				
<u>\$ -</u>	<u>\$ -</u>				
\$ 12,440	\$ 9,456				
7.95%	9.69%				

**CITY OF MACEDONIA, OHIO  
SUMMIT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS  
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Police:</i>				
Contractually required contribution	\$ 292,476	\$ 308,897	\$ 173,364	\$ 161,004
Contributions in relation to the contractually required contribution	<u>(292,476)</u>	<u>(308,897)</u>	<u>(173,364)</u>	<u>(161,004)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,539,347	\$ 1,625,774	\$ 1,091,484	\$ 1,262,776
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	15.88%	12.75%
<i>Fire:</i>				
Contractually required contribution	\$ 236,477	\$ 263,651	\$ 170,051	\$ 169,133
Contributions in relation to the contractually required contribution	<u>(236,477)</u>	<u>(263,651)</u>	<u>(170,051)</u>	<u>(169,133)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,006,285	\$ 1,121,919	\$ 834,265	\$ 980,481
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	20.38%	17.25%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 155,548	\$ 165,507	\$ 177,398	\$ 210,692	\$ 165,535	\$ 145,594
<u>(155,548)</u>	<u>(165,507)</u>	<u>(177,398)</u>	<u>(210,692)</u>	<u>(165,535)</u>	<u>(145,594)</u>
<u>\$ -</u>					
\$ 1,219,984	\$ 1,298,094	\$ 1,391,357	\$ 1,652,486	\$ 1,298,314	\$ 1,239,098
12.75%	12.75%	12.75%	12.75%	12.75%	11.75%
\$ 165,438	\$ 167,554	\$ 149,146	\$ 141,925	\$ 132,679	\$ 113,180
<u>(165,438)</u>	<u>(167,554)</u>	<u>(149,146)</u>	<u>(141,925)</u>	<u>(132,679)</u>	<u>(113,180)</u>
<u>\$ -</u>					
\$ 959,061	\$ 971,328	\$ 864,614	\$ 822,754	\$ 769,154	\$ 675,701
17.25%	17.25%	17.25%	17.25%	17.25%	16.75%

**CITY OF MACEDONIA, OHIO  
SUMMIT COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2015

*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**CITY OF MACEDONIA, OHIO**



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

**Yellow Book Report**

**December 31, 2015**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Macedonia (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 27, 2016, wherein we noted the City adopted GASB No. 68 and 71 as disclosed in Note 3.

### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 through 2015-002 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

## The City's Responses to Findings

The City's responses to findings identified in our audit are described in the accompanying schedule of findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

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

*Plattensburg & Associates, Inc.*

Plattensburg & Associates, Inc.  
Cincinnati, Ohio  
July 27, 2016

**CITY OF MACEDONIA, OHIO  
SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2015**

**2015-001 Finding Type – 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 of those 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 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.

A similar issue was reported to the City during the 2014 financial statement audit.

**Recommendation:**

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.

**Management's Response:**

Management concurs. The City has a new management team in place that will address this comment in the future.

**2015-002 Finding Type – Material Weakness – Segregation of Duties**

During 2015, there was no Finance Director physically present at the City.

A fundamental element of internal control is the separation of duties and oversight, so that one individual cannot perpetuate and conceal errors and irregularities in the normal course of his/her duties. Strong internal controls require the segregation of responsibilities for authorizing transactions, physical custody of assets and the related record keeping. Efficient segregation of duties is difficult in a small environment such as the Finance office. The City should be aware that without a Finance Director a lack of segregation of duties and proper oversight took place during the year.

**Recommendation:**

In 2015, the City should have had a Finance Director in place to oversee controls in the areas as described in the previous paragraph.

**Management's Response:**

Management concurs. The City has a new management team in place that will address this comment in the future.

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# Dave Yost • Auditor of State

CITY OF MACEDONIA

SUMMIT COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 11, 2016