City of Hudson, Ohio

Basic Financial Statements
For the Year Ended December 31, 2016

City Council
City of Hudson
115 Executive Parkway
Hudson, Ohio 44236

We have reviewed the *Independent Auditor's Report* of the City of Hudson, Summit County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2016 through December 31, 2016. 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 Hudson is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

October 11, 2017

This page intentionally left blank.

City of Hudson, Ohio

For the Year Ended December 31, 2016

Table of Contents **Page**

City of Hudson, Ohio

For the Year Ended December 31, 2016

Table of Contents **Page**

Ciuni & Panichi
CPAs and Business Advisors
Where Relationships Count.

Independent Auditor's Report

Members of the City Council
City of Hudson, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hudson, Ohio (the "City"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Street Construction funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

C&P Advisors, LLC
Ciuni & Panichi, Inc.
C&P Wealth Management, LLC

25201 Chagrin Boulevard
Cleveland, Ohio 44122.5683
p. 216.831.7171
f. 216.831.3020
www.cp-advisors.com
Independent Member of
Geneva Group International

Members of the City Council
City of Hudson, Ohio

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 13 and the schedules of the City's proportionate share of the net pension liability (asset) and schedules of the City's contributions on pages 85 through 90 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Ciuni + Panichi, Inc.

Cleveland, Ohio
June 30, 2017

City of Hudson, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2016

The discussion and analysis of the City of Hudson's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the City's financial performance as a whole; along with the review of the basic financial statements for the reader to enhance their understanding of the City's financial performance.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City as a financial whole.

The Statement of Net Position and Statement of Activities (referred collectively as the government-wide statements) provide information about the activities of the entire City and present a longer-term view of the City's 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 nonmajor funds presented in total in one column. The proprietary funds' statements are prepared on the same basis as the government-wide statements. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City of Hudson as a Whole

Statement of Net Position and the Statement of Activities

These government-wide statements answer the question, "How did the City as a whole do financially during 2016?" They are prepared on the accrual basis of accounting, including all assets and deferred outflows of resources and liabilities and deferred inflows of resources, much the same way as for a private enterprise. This basis of 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. This is important, as it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as changes in the tax base will also need to be evaluated.

- *The Statement of Net Position.* This Statement (page 14) reports all assets and deferred outflows of resources and liabilities and deferred inflows of resources of the City as of December 31, 2016. The difference between all elements is reported as net position. Increases in net position generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.

- *The Statement of Activities.* This Statement (page 15) reports the results of all activities of the City for the year ended December 31, 2016. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the City's various programs net of related revenues, as well as the separate presentation of revenues available for general purposes.

- In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

    - ***Governmental activities*** The reporting of services including public safety, administration and all departments, with the exception of the Water Fund, Wastewater Fund, Electric Fund, Storm Sewer Fund, and Golf Course Fund, which are reported as business-type activities.

    - ***Business-type activities*** The City reports the activity of services (Water, Wastewater, Electric, Storm Sewer, and Golf Course) where the City charges the user fees to recover the cost of providing the service as well as all capital expenses associated with the facilities.

Reporting the City of Hudson's Most Significant Funds

Fund Financial Statements

These statements provide financial position and results of the City's major funds. A fund is an accounting entity created to account for a specific activity or purpose. The creation of some funds is mandated by law and others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

- ***Governmental Funds.*** Governmental funds are used to account for "Government-Type" activities. Unlike the government-wide financial statements, governmental fund statements use a "flow of financial resources" measurement focus. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Increases in spendable resources are reported in the operating statement as "Revenues" or "Other Financing Sources". Decreases in spendable resources are reported as "Expenditures" or "Other Financing Uses". Income taxes, property taxes, charges for services and grants finance most of these activities.

- ***Proprietary Funds.*** There are two types of proprietary funds: enterprise funds and internal service funds.

    <u>Enterprise Funds</u> – Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises for which either 1) the intent is that the costs (expenses, including depreciation) be recovered primarily through user charges, or 2) determination of net income is appropriate for management control, accountability or other purposes.

    The City of Hudson's Water Fund, Wastewater Fund, Electric Fund, and Storm Sewer Fund are all considered to be major funds and are displayed separately in the proprietary fund statements on pages 25 through 32.

Internal Service Funds – Often, governments wish to allocate the cost of providing certain centralized services (e.g., motor pools, garages, data processing) to the other departments of the government entity that use the services. An internal service fund is the appropriate accounting mechanism when it is the intent of the government to recover the full cost of providing the service through user charges to other departments.

The Equipment and Reserve and Fleet Maintenance Fund, Self-Insurance Fund, Flexible Benefits Fund, Information Services Fund and Medical Self-Insurance Fund are the City of Hudson's internal service funds.

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

  A Fiduciary Fund statement is on page 33 of this report.

Other Information

Notes to the Financial Statements

The notes provide additional and explanatory data. They are an integral part of the basic financial statements.

The City of Hudson as a Whole

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Hudson, assets and deferred outflows exceed liabilities and deferred inflows by $97,348,517 in governmental activities and $29,085,669 in business-type activities as of December 31, 2016. The largest portion of net position reflects its investment in capital assets (i.e.; land, buildings, equipment and machinery, infrastructure), less any related debt used 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 the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The next largest portion of the City's net position reflects its unrestricted portion. Table 1 provides a summary of the City's net position for 2016 compared to 2015 balances.

Table 1
Net Position

	Governmental Activities 2016	Governmental Activities 2015	Business-Type Activities 2016	Business-Type Activities 2015	Total 2016	Total 2015
Assets:						
Current assets	$ 31,867,494	$ 31,705,000	$ 19,718,049	$ 21,142,600	$ 51,585,543	$ 52,847,600
Investment in joint venture	-	-	170,011	170,011	170,011	170,011
Capital assets, net	107,654,682	108,467,918	27,181,799	31,712,719	134,836,481	140,180,637
Net pension asset	55,370	44,865	25,692	19,219	81,062	64,084
Total assets	139,577,546	140,217,783	47,095,551	53,044,549	186,673,097	193,262,332
Deferred outflows of resources:						
Deferred changes on refunding	492,377	612,159	799,962	861,431	1,292,339	1,473,590
Pension	5,076,248	1,828,455	1,672,545	504,104	6,748,793	2,332,559
Total deferred outflows of resources	5,568,625	2,440,614	2,472,507	1,365,535	8,041,132	3,806,149
Liabilities:						
Current and other liabilities	4,994,588	1,353,570	3,028,264	2,397,355	8,022,852	3,750,925
Long-term liabilities						
Due within one year	4,271,444	4,801,883	2,163,495	2,278,811	6,434,939	7,080,694
Due in more than one year	18,072,413	21,543,342	11,008,417	12,735,805	29,080,830	34,279,147
Net pension liability	15,409,130	11,546,829	4,189,064	2,676,978	19,598,194	14,223,807
Total liabilities	42,747,575	39,245,624	20,389,240	20,088,949	63,136,815	59,334,573
Deferred inflows of resources:						
Property taxes	4,701,949	4,701,949	-	-	4,701,949	4,701,949
Pension	348,130	123,475	93,149	52,892	441,279	176,367
Total deferred inflows of resources	5,050,079	4,825,424	93,149	52,892	5,143,228	4,878,316
Net position:						
Net investment in capital assets	89,742,813	88,082,405	19,048,920	19,069,773	108,791,733	107,152,178
Restricted	1,508,278	1,808,266	-	-	1,508,278	1,808,266
Unrestricted	6,097,426	8,696,678	10,036,749	15,198,470	16,134,175	23,895,148
Total net position	$ 97,348,517	$ 98,587,349	$ 29,085,669	$ 34,268,243	$ 126,434,186	$ 132,855,592

During 2015, the City adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension and the net pension asset.

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

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 *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 the accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension asset/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.

An additional portion of the City's net position (1.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance, unrestricted net position of $16,134,175, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report a positive balance for the government as a whole.

For governmental activities, there was a $162,494 increase in current assets. This was primarily due to an increase in cash balances in the governmental funds.

For governmental activities, the primary reason for the $3,128,011 increase in deferred outflows of resources was due to the affects for GASB 68.

For governmental activities, there was a $3,641,018 increase in current liabilities. This was primarily due to a $3.5 million note payable.

For governmental activities, there was a decrease of $3,470,929 in long-term liabilities due in more than one year primarily due to scheduled debt repayments. This decrease was offset by a $3,862,301 increase in net pension liabilities which was due to the affects for GASB 68.

For governmental activities, net investment in capital assets increased $1,660,408 due to an increase in capital assets less related debt and accumulated depreciation on those items. The restricted net position decreased $299,988 compared to the prior year. The net result of the changes in net position was a decrease of $1,238,832 in net position.

Within the business-type activities, total assets decreased $5,948,998 primarily due to a decrease in capital assets less accumulated depreciation. Deferred outflows of resources for business-type activities increased $1,106,972 due to the affects for GASB 68. Long-term liabilities due in more than one year decreased $1,727,388 primarily due to the debt payments, while the net pension liability increased $1,512,086 due to the effects of GASB 68. Net investment in capital assets decreased $20,853. The balance of the unrestricted net position decreased $5,161,721 due mainly to the sewer system being transferred to Summit County.

Table 2 below, indicates the changes in net position for the years ended December 31, 2016 and 2015.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for services and sales	$ 1,630,068	$ 1,500,332	$ 24,973,938	$ 26,518,084	$ 26,604,006	$ 28,018,416
Operating grants and contributions	29,305	100,036	-	-	29,305	100,036
Capital grants and contributions	398,832	50,000	600,000	-	998,832	50,000
General Revenues:						
Taxes	22,755,902	23,018,628	-	-	22,755,902	23,018,628
Grants and entitlements not restricted to specific programs	5,126,695	3,988,873	-	-	5,126,695	3,988,873
Investment income (loss)	438,686	210,506	(189)	(745)	438,497	209,761
Miscellaneous income	363,561	574,419	194,120	296,424	557,681	870,843
Transfers - in	-	-	2,109,996	2,530,000	2,109,996	2,530,000
Total revenues and transfers	30,743,049	29,442,794	27,877,865	29,343,763	58,620,914	58,786,557
Program Expenses:						
General government	9,228,483	7,934,462	-	-	9,228,483	7,934,462
Security of persons and property	7,939,090	7,181,755	-	-	7,939,090	7,181,755
Public health	1,025,306	983,533	-	-	1,025,306	983,533
Leisure time services	1,445,536	1,592,986	-	-	1,445,536	1,592,986
Community and economic development	1,427,615	1,350,074	-	-	1,427,615	1,350,074
Transportation	8,080,185	7,170,601	-	-	8,080,185	7,170,601
Interest and fiscal charges	725,670	837,651	-	-	725,670	837,651
Water System	-	-	1,720,438	1,572,100	1,720,438	1,572,100
Wastewater System	-	-	138,722	3,334,551	138,722	3,334,551
Electric System	-	-	21,129,445	20,483,507	21,129,445	20,483,507
Storm Sewer System	-	-	1,530,074	1,101,773	1,530,074	1,101,773
Golf Course	-	-	1,226,268	1,310,241	1,226,268	1,310,241
Transfers - out	2,109,996	2,530,000	-	-	2,109,996	2,530,000
Total program expenses and transfers	31,981,881	29,581,062	25,744,947	27,802,172	57,726,828	57,383,234
Change in net position before special item	(1,238,832)	(138,268)	2,132,918	1,541,591	894,086	1,403,323
Special item – disposal of operations	-	-	(7,315,492)	-	(7,315,492)	-
Change in net position	(1,238,832)	(138,268)	(5,182,574)	1,541,591	(6,421,406)	1,403,323
Net position, beginning of the year	98,587,349	98,725,617	34,268,243	32,726,652	132,855,592	131,452,269
Net position, end of the year	$ 97,348,517	$ 98,587,349	$ 29,085,669	$ 34,268,243	$ 126,434,186	$ 132,855,592

Governmental Activities

The City's income tax is the largest contributor of revenue sources in governmental activities accounting for 60.6% of total revenues. Property and other local taxes generate 13.5% and grants and entitlements generate 16.7% of total revenues.

Community and economic development expenses account for 4.5% of governmental expenses and transfers, general government accounts for 28.9% of governmental expenses and transfers, security of persons and property accounts for 24.8% of governmental expenses and transfers, and transportation costs represent 25.3% of governmental expenses and transfers, respectively.

Governmental activities decreased the City's net position by $1,238,832. Total revenues increased $1,300,255 primarily due to an increase in grants and entitlements, which increased $1,137,822.

Business-Type Activities

The City's business-type activities are the Water, Wastewater, Electric, Storm Sewer, and Golf Course Funds. Charges for services generated 89.6% of all revenues and transfers in the business-type activities.

Business-type activities decreased the City's net position by $5,182,574. Charges for services and sales decreased $1,544,146 and expenses, including the special item, increased $5,258,267 due primarily to the sewer system being transferred to Summit County.

Individual Funds Summary and Analysis

As noted earlier, the City uses fund accounting to demonstrate and ensure compliance with finance related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near term outflows, inflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $18,367,352, a decrease of $2,510,850 in comparison with the prior year, primarily due to the spending down of bond proceeds.

Approximately 54.4% of this total amount or $9,994,957, which represents the *assigned* and *unassigned* classifications, is available for spending at the government's discretion. The remainder of fund balance, *nonspendable, restricted,* and *committed*, is reserved to indicate that it is not readily available for new spending since it has already been committed to liquidate contracts and purchase commitments, to pay debt service or for a variety of other restricted purposes.

The General Fund is the primary operating fund of the City of Hudson. At the end of the current year, the General Fund's unassigned balance was $6,933,359, while the total fund balance was $11,723,566. The fund balance for the General Fund decreased by $875,179, or 6.9%, from the prior year due to an increase in operating transfers out.

The other major governmental funds of the City are Street Construction, Street Sidewalk Construction, and Broadband Capital Fund.

The fund balance for the Street Construction Fund increased $60,801. The increase is due to an increase in transfers in.

The fund balance of the Street Sidewalk Construction Fund decreased $566,184. The decrease is due to an increase in expenditures.

The fund balance of the Broadband Capital Fund decreased $1,092,487. The decrease is due to an increase in expenditures.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide and business-type activity financial statements, but in more detail. Net position in the Water, Wastewater, Electric, Storm Sewer, and Golf Course increased (decreased) by $332,417 or 5.9%, $(7,338,513) or (120.3)%, $627,566 or 3.1%, $1,040,725 or 127.4%, and $155,231 or 8.9%, respectively.

Budgetary Highlights

As required by state statute, City Council (Council) adopts an annual appropriation (budget) resolution for all City funds.

In the General Fund, the final budgeted revenues as compared to the original budgeted revenue increased by approximately $900,000. The increase was primarily in municipal income tax and interest due to higher than expected collections.

Actual General Fund expenditures compared to the budget reflected approximately $248,000 remaining in unencumbered funds as of December 31, 2016. The general government activity accounted for approximately $170,000 of those unencumbered funds and security of persons and property accounted for approximately $76,000.

The Police Department personnel costs and overall operating expenditures were less than budgeted. General government departments' actual costs were generally less than budgeted for personnel costs within several departments.

Capital Assets and Debt Administration

Capital Assets

The City's net book value of capital assets for its governmental and business-type activities as of December 31, 2016, amounts to $134,836,481. This investment in capital assets includes land; buildings; land improvements; vehicles; furniture, fixtures and equipment; infrastructure; and construction in progress.

Table 3 shows fiscal 2016 balances of capital assets as compared to the 2015 balances:

Table 3
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 14,618,513	$ 14,618,513	$ 2,332,463	$ 2,362,513	$ 16,950,976	$ 16,981,026
Construction in progress	2,791,148	4,238,808	2,056,464	920,578	4,847,612	5,159,386
Buildings	9,474,715	9,350,174	6,165,049	5,362,784	15,639,764	14,712,958
Land improvements	4,830,595	4,746,454	2,102,683	2,123,612	6,933,278	6,870,066
Vehicles	7,763,988	7,194,150	1,838,729	1,999,066	9,602,717	9,193,216
Equipment, furniture and fixtures	4,019,290	3,974,777	4,064,700	4,310,639	8,083,990	8,285,416
Infrastructure:						
Roads	141,190,781	136,076,074	-	-	141,190,781	136,076,074
Sidewalks	3,752,625	3,752,625	-	-	3,752,625	3,752,625
Traffic signals	2,971,911	2,960,234	-	-	2,971,911	2,960,234
Broadband	1,180,992	493,813	-	-	1,180,992	493,813
Water main lines	-	-	15,182,784	15,182,784	15,182,784	15,182,784
Sewer lines	-	-	-	10,493,122	-	10,493,122
Storm water lines	-	-	3,189,835	2,975,981	3,189,835	2,975,981
Electric	-	-	9,370,516	9,370,516	9,370,516	9,370,516
Less: accumulated depreciation	(84,939,876)	(78,937,704)	(19,121,424)	(23,388,876)	(104,061,300)	(102,326,580)
Total capital assets, net	$ 107,654,682	$ 108,467,918	$ 27,181,799	$ 31,712,719	$ 134,836,481	$ 140,180,637

Additional detailed information relating to the City's capital assets is contained in Note 11 of the notes to the basic financial statements.

Debt

At December 31, 2016, the City had $32,280,847 of long-term bonds, premium on those bonds, loans and other outstanding obligations, excluding AMP Ohio payable, capital leases, compensated absences, and net pension liability. Details of the individual obligations can be found in Note 14.

The general obligation indebtedness of the City is subject to two statutory debt limitations referred to as the direct debt limitation: (Section 133.05 of the Ohio Revised Code). Certain debt, with a repayment source other than general tax revenue is excluded from the definition of net indebtedness. Under that definition, the City has $23,654,867 of net indebtedness as of December 31, 2016. The aggregate principal amount of unvoted net indebtedness may not exceed 5.5 percent of the assessed valuation for property tax purposes of all real and personal property located within the City. The legal unvoted debt margin was $28,158,001 as of December 31, 2016. The total principal amount of voted and unvoted nonexempt net indebtedness of the City may not exceed 10.5 percent of its assessed value of real and personal property. Total net indebtedness for both voted and unvoted issues was $22,575,273 leaving the City's overall legal debt margin at $68,346,419 as of December 31, 2016.

Future Funding Considerations

Effective August 17, 2011, Standard & Poor's upgraded the City's rating to AAA. Additionally, the City maintained its bond rating of Aaa from Moody's Investors Service.

During 2014, the City completed its 2015-2019 Five Year Financial Plan that includes operating and capital cost projections for the City's operating funds. The plan identifies numerous capital expenditures including the reconstruction/resurfacing of streets, replacing various safety forces vehicles and equipment, along with several wastewater, storm sewer and electric system capital improvements.

Contacting the City Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with an overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City's Finance Department at 330-650-1799 or at 115 Executive Parkway, Suite 400, Hudson, Ohio 44236. Electronic copies of the City's 2016 Budget Book and 2016-2020 Five Year Financial Plan are available at the City's website – http://www.hudson.oh.us.

This page intentionally left blank.

City of Hudson, Ohio

Statement of Net Position

December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	$ 19,260,708	$ 13,249,501	$ 32,510,209
Investment in common stock	22,554	-	22,554
Investments in segregated accounts	2,987	-	2,987
Materials and supplies inventory	572,676	1,452,713	2,025,389
Accounts receivable	299,458	3,728,370	4,027,828
Accrued interest receivable	133,463	-	133,463
Internal balances	880,882	(880,882)	-
Intergovernmental receivable	968,539	1,800,739	2,769,278
Property taxes receivable	4,840,512	-	4,840,512
Municipal income taxes receivable	4,718,237	-	4,718,237
Special assessments receivable	167,478	14,851	182,329
Restricted assets:			
Cash in segregated accounts – customer deposits	-	352,757	352,757
Noncurrent assets:			
Investment in joint venture	-	170,011	170,011
Nondepreciable capital assets	17,409,661	4,388,927	21,798,588
Depreciable capital assets, net	90,245,021	22,792,872	113,037,893
Net pension asset	55,370	25,692	81,062
Total assets	139,577,546	47,095,551	186,673,097
Deferred outflows of resources:			
Deferred charges on refunding	492,377	799,962	1,292,339
Pension	5,076,248	1,672,545	6,748,793
Total deferred outflows of resources	5,568,625	2,472,507	8,041,132
Liabilities:			
Current liabilities:			
Accounts payable	580,978	1,421,066	2,002,044
Accrued wages and benefits	403,029	140,957	543,986
Intergovernmental payable	218,427	90,584	309,011
Accrued interest payable	39,474	45,160	84,634
Claims payable	2,448	-	2,448
Payable from restricted assets – customer deposits	-	352,757	352,757
Retainage payable	184,502	2,740	187,242
Notes payable	3,500,000	975,000	4,475,000
Matured compensated absences	65,730	-	65,730
Long-term liabilities:			
Due within one year	4,271,444	2,163,495	6,434,939
Due in more than one year			
Other amounts due in more than one year	18,072,413	11,008,417	29,080,830
Net pension liability	15,409,130	4,189,064	19,598,194
Total liabilities	42,747,575	20,389,240	63,136,815
Deferred inflows of resources:			
Property taxes	4,701,949	-	4,701,949
Pension	348,130	93,149	441,279
Total deferred inflows of resources	5,050,079	93,149	5,143,228
Net position:			
Net investment in capital assets	89,742,813	19,048,920	108,791,733
Restricted for:			
Capital projects	121,599	-	121,599
Debt service	582,581	-	582,581
Street improvements	531,811	-	531,811
Other purposes	265,814	-	265,814
Permanent fund	6,473	-	6,473
Unrestricted	6,097,426	10,036,749	16,134,175
Total net position	$ 97,348,517	$ 29,085,669	$ 126,434,186

The accompanying notes are an integral part of the financial statements.

City of Hudson, Ohio

Statement of Activities

For the Year Ended December 31, 2016

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	$ 9,228,483	$ 508,842	$ 29,305	$ -
Security of persons and property	7,939,090	628,384	-	-
Public health	1,025,306	89,816	-	-
Leisure time services	1,445,536	261,131	-	-
Community and economic development	1,427,615	141,895	-	-
Transportation	8,080,185	-	-	398,832
Interest and fiscal charges	725,670	-	-	-
Total governmental activities	29,871,885	1,630,068	29,305	398,832
Business-type activities:				
Water System	1,720,438	1,981,805	-	-
Wastewater System	138,722	-	-	-
Electric System	21,129,445	21,701,254	-	-
Storm Sewer System	1,530,074	5,803	-	600,000
Golf Course	1,226,268	1,285,076	-	-
Total business-type activities	25,744,947	24,973,938	-	600,000
Totals	$ 55,616,832	$ 26,604,006	$ 29,305	$ 998,832

General revenues:
- Property and other local taxes
- Municipal income tax
- Grants and entitlements not restricted to specific programs
- Investment income (loss)
- Miscellaneous income

Transfers

Total general revenues and transfers

Change in net position

Special item – disposal of operations

Change in net position after special item

Net position, beginning of year

Net position, end of year

The accompanying notes are an integral part of the financial statements.

Governmental Activities	Business-Type Activities	Total
Net (Expense) Revenue and Changes in Net Position		
$ (8,690,336)	$ -	$ (8,690,336)
(7,310,706)	-	(7,310,706)
(935,490)	-	(935,490)
(1,184,405)	-	(1,184,405)
(1,285,720)	-	(1,285,720)
(7,681,353)	-	(7,681,353)
(725,670)	-	(725,670)
(27,813,680)	-	(27,813,680)
-	261,367	261,367
-	(138,722)	(138,722)
-	571,809	571,809
-	(924,271)	(924,271)
-	58,808	58,808
-	(171,009)	(171,009)
(27,813,680)	(171,009)	(27,984,689)
4,139,599	-	4,139,599
18,616,303	-	18,616,303
5,126,695	-	5,126,695
438,686	(189)	438,497
363,561	194,120	557,681
(2,109,996)	2,109,996	-
26,574,848	2,303,927	28,878,775
(1,238,832)	2,132,918	894,086
-	(7,315,492)	(7,315,492)
(1,238,832)	(5,182,574)	(6,421,406)
98,587,349	34,268,243	132,855,592
$ 97,348,517	$ 29,085,669	$ 126,434,186

City of Hudson, Ohio

Balance Sheet
Governmental Funds

December 31, 2016

	General Fund	Street Construction	Street Sidewalk Construction	Broadband Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Current assets:						
Equity in pooled cash and cash equivalents	$ 5,991,995	$ 308,639	$ 4,028,959	$ 316,003	$ 7,700,763	$ 18,346,359
Investment in common stock	-	-	-	-	22,554	22,554
Investments in segregated accounts	-	-	-	-	2,987	2,987
Materials and supplies inventory	29,594	283,797	-	-	27,556	340,947
Accounts receivable	170	-	-	-	299,288	299,458
Accrued interest receivable	112,770	-	-	-	20,616	133,386
Interfund receivable	3,540,510	-	-	-	-	3,540,510
Intergovernmental receivable	364,380	424,786	-	-	179,373	968,539
Property taxes receivable	2,763,461	-	-	-	2,077,051	4,840,512
Municipal income taxes receivable	3,731,581	-	-	-	986,656	4,718,237
Special assessments receivable	14,969	-	-	-	152,509	167,478
Noncurrent assets:						
Advances to other funds	100,000	-	-	-	-	100,000
Total assets	$ 16,649,430	$ 1,017,222	$ 4,028,959	$ 316,003	$ 11,469,353	$ 33,480,967
Liabilities, deferred inflows of resources, and fund balances:						
Liabilities:						
Accounts payable	$ 164,961	$ 84,705	$ 79,297	$ 78,903	$ 114,186	$ 522,052
Accrued wages and benefits	277,646	45,326	-	-	64,752	387,724
Intergovernmental payable	146,030	27,938	-	-	35,194	209,162
Interfund payable	6,879	7,373	155,000	2,100,000	526,965	2,796,217
Matured compensated absences	-	-	-	-	65,730	65,730
Retainage payable	-	-	184,502	-	-	184,502
Notes payable	-	-	3,500,000	-	-	3,500,000
Total liabilities	595,516	165,342	3,918,799	2,178,903	806,827	7,665,387
Deferred inflows of resources:						
Property taxes	2,684,355	-	-	-	2,017,594	4,701,949
Unavailable revenue	1,645,993	281,409	-	-	818,877	2,746,279
Total deferred inflows of resources	4,330,348	281,409	-	-	2,836,471	7,448,228
Fund balances:						
Nonspendable	129,594	283,797	-	-	34,029	447,420
Restricted	-	286,674	-	-	907,571	1,194,245
Committed	-	-	110,160	-	6,620,570	6,730,730
Assigned	4,660,613	-	-	-	523,946	5,184,559
Unassigned (deficit)	6,933,359	-	-	(1,862,900)	(260,061)	4,810,398
Total fund balances	11,723,566	570,471	110,160	(1,862,900)	7,826,055	18,367,352
Total liabilities, deferred inflows of resources, and fund balances	$ 16,649,430	$ 1,017,222	$ 4,028,959	$ 316,003	$ 11,469,353	$ 33,480,967

The accompanying notes are an integral part of the financial statements.

City of Hudson, Ohio

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

December 31, 2016

Total governmental funds balances		$ 18,367,352
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		105,733,251
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds:		
Taxes	$ 1,782,910	
Special assessments	167,478	
Charges for services	211,659	
Interest	133,382	
Intergovernmental	450,850	
Total		2,746,279
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(39,474)
An Internal Service Fund is used by management to charge the costs of insurance to individual funds, the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		2,919,923
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(20,154,867)	
Special assessment bonds	(250,000)	
Ohio Public Works Commission loan	(97,005)	
Deferred charges on refunding	492,377	
Compensated absences	(1,743,677)	
Total		(21,753,172)
The net pension liability/asset is not due and payable/receivable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds.		
Net pension asset	55,370	
Deferred outflows	5,076,248	
Net pension liability	(15,409,130)	
Deferred inflows	(348,130)	
Total		(10,625,642)
Net position of governmental activities		$ 97,348,517

The accompanying notes are an integral part of the financial statements.

City of Hudson, Ohio

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Year Ended December 31, 2016

	General Fund	Street Construction	Street Sidewalk Construction	Broadband Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property and other local taxes	$ 2,384,194	$ -	$ -	$ -	$ 1,794,742	$ 4,178,936
Municipal income tax	15,325,741	-	-	-	4,100,634	19,426,375
Intergovernmental	1,679,095	875,090	92,940	-	677,140	3,324,265
Charges for services	454,022	7,625	-	-	858,197	1,319,844
Fines and forfeitures	84,804	-	-	-	1,328	86,132
Special assessments	49,628	-	-	-	121,214	170,842
Interest	489,124	-	-	179	85,583	574,886
Other	21,904	108,940	6,694	-	76,924	214,462
Total revenues	20,488,512	991,655	99,634	179	7,715,762	29,295,742
Expenditures:						
Current:						
General government	5,249,869	-	-	814,448	86,928	6,151,245
Security of persons and property	4,323,386	-	-	-	2,769,733	7,093,119
Public health	841,046	-	-	-	223,589	1,064,635
Leisure time services	-	-	-	-	1,170,178	1,170,178
Community and economic development	1,461,762	-	-	-	6,912	1,468,674
Transportation	-	3,031,813	904,968	-	-	3,936,781
Capital outlay	130,473	119,862	2,466,850	275,418	1,927,679	4,920,282
Debt service:						
Principal retirement	-	-	-	-	3,267,281	3,267,281
Interest and fiscal charges	-	-	-	2,800	671,020	673,820
Total expenditures	12,006,536	3,151,675	3,371,818	1,092,666	10,123,320	29,746,015
Excess of revenues over (under) expenditures	8,481,976	(2,160,020)	(3,272,184)	(1,092,487)	(2,407,558)	(450,273)
Other financing sources (uses):						
Proceeds from sale of assets	14,352	20,821	-	-	14,246	49,419
Transfers - in	-	2,200,000	2,706,000	-	2,555,511	7,461,511
Transfers - out	(9,371,507)	-	-	-	(200,000)	(9,571,507)
Total other financing sources (uses)	(9,357,155)	2,220,821	2,706,000	-	2,369,757	(2,060,577)
Net change in fund balances	(875,179)	60,801	(566,184)	(1,092,487)	(37,801)	(2,510,850)
Fund balance at beginning of year	12,598,745	509,670	676,344	(770,413)	7,863,856	20,878,202
Fund balance at end of year	$ 11,723,566	$ 570,471	$ 110,160	$ (1,862,900)	$ 7,826,055	$ 18,367,352

The accompanying notes are an integral part of the financial statements.

City of Hudson, 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, 2016

Net change in fund balances - total governmental funds		$ (2,510,850)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differ from depreciation in the current period:		
Capital outlay	$ 5,013,927	
Depreciation	(5,980,581)	
Total		(966,654)
In the Statement of Activities, a gain or loss is reported for each disposal, whereas, the governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale.		(84,375)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Property and other taxes	(39,337)	
Municipal income taxes	(810,072)	
Special assessments	(166,876)	
Charges for services	114,821	
Interest	(136,200)	
Intergovernmental	(7,845)	
Total		(1,045,509)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
General obligation bonds	3,045,000	
Special assessment bonds	215,095	
Ohio Public Works Commission loan	7,186	
Total		3,267,281

(Continued)

City of Hudson, Ohio

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Continued)

For the Year Ended December 31, 2016

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accretion on capital appreciation bonds	(62,532)	
Accrued interest on debt	12,653	
Amortization of loss on refunding	(119,782)	
Amortization of premiums	117,811	
Compensated absences	698,805	
Total		646,955
Internal service funds are used by management to charge costs of certain activities, such as insurance to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.		282,978
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
OPERS Traditional	767,774	
OPERS Combined	41,116	
OP&F	433,048	
Total		1,241,938
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities:		
OPERS Traditional	(1,195,587)	
OPERS Combined	(31,118)	
OP&F	(843,891)	
Total		(2,070,596)
Change in net position of governmental activities		$ (1,238,832)

The accompanying notes are an integral part of the financial statements.

City of Hudson, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund

For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with final budget
	Original	Final	Actual	over (under)
Revenues:				
Property and other local taxes	$ 2,344,168	$ 2,374,812	$ 2,384,194	$ 9,382
Municipal income tax	14,736,874	15,239,874	15,239,687	(187)
Intergovernmental	1,555,760	1,527,920	1,519,577	(8,343)
Charges for services	371,781	454,981	454,022	(959)
Fines and forfeitures	60,000	88,300	87,920	(380)
Special assessment	-	49,630	49,628	(2)
Interest	252,795	467,795	496,560	28,765
Other	35,000	53,500	48,952	(4,548)
Total revenues	19,356,378	20,256,812	20,280,540	23,728
Expenditures:				
Current:				
General government	5,971,045	5,667,070	5,482,636	184,434
Security of persons and property	4,532,385	4,437,431	4,333,958	103,473
Public health	744,143	866,757	840,838	25,919
Community and economic development	1,562,294	1,588,030	1,573,196	14,834
Capital outlay	243,940	203,753	199,386	4,367
Total expenditures	13,053,807	12,763,041	12,430,014	333,027
Excess of revenues over expenditures	6,302,571	7,493,771	7,850,526	356,755
Other financing sources (uses):				
Proceeds from sale of capital assets	-	14,360	14,352	(8)
Transfers – out	(8,134,412)	(9,371,507)	(9,371,507)	-
Advances – in	-	254,845	254,845	-
Advances – out	(70,000)	(422,791)	(422,791)	-
Total other financing sources (uses)	(8,204,412)	(9,525,093)	(9,525,101)	(8)
Net change in fund balance	(1,901,841)	(2,031,322)	(1,674,575)	356,747
Fund balance at beginning of fiscal year	8,914,559	8,914,559	8,914,559	-
Prior fiscal year encumbrances appropriated	499,275	499,275	499,275	-
Fund balance at end of fiscal year	$ 7,511,993	$ 7,382,512	$ 7,739,259	$ 356,747

The accompanying notes are an integral part of the financial statements.

This page intentionally left blank

City of Hudson, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual Street Construction Fund

For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with final budget
	Original	Final	Actual	over (under)
Revenues:				
Intergovernmental	$ 870,000	$ 874,820	$ 874,839	$ 19
Charges for services	-	7,625	7,625	-
Other	-	108,940	108,940	-
Total revenues	870,000	991,385	991,404	19
Expenditures:				
Current:				
Transportation	2,945,844	3,159,926	3,132,260	27,666
Capital outlay	154,986	154,986	119,862	35,124
Total Expenditures	3,100,830	3,314,912	3,252,122	62,790
Excess of revenues over (under) expenditures	(2,230,830)	(2,323,527)	(2,260,718)	62,809
Other financing sources:				
Proceeds from sale of capital assets	-	20,825	20,821	(4)
Transfers – in	2,200,000	2,200,000	2,200,000	-
Total other financing sources	2,200,000	2,220,825	2,220,821	(4)
Net change in fund balance	(30,830)	(102,702)	(39,897)	62,805
Fund balance at beginning of fiscal year	129,675	129,675	129,675	-
Prior fiscal year encumbrances appropriated	84,133	84,133	84,133	-
Fund balance at end of fiscal year	$ 182,978	$ 111,106	$ 173,911	$ 62,805

The accompanying notes are an integral part of the financial statements.

City of Hudson, Ohio

Statement of Fund Net Position
Proprietary Funds

December 31, 2016

	Water	Wastewater	Electric
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	$ 1,247,638	$ 37,490	$ 10,768,857
Materials and supplies inventory	272,437	-	1,087,945
Accounts receivable	429,624	-	3,298,746
Accrued interest receivable	-	-	-
Intergovernmental receivable	-	1,800,739	-
Interfund receivable	-	-	-
Special assessments receivable	14,851	-	-
Restricted assets:			
Cash in segregated accounts	-	-	352,757
Total current assets	1,964,550	1,838,229	15,508,305
Noncurrent assets:			
Investment in joint venture	-	-	170,011
Nondepreciable capital assets	1,011,515	-	277,704
Depreciable capital assets, net	8,108,992	-	10,652,937
Net pension asset	3,824	428	16,588
Total noncurrent assets	9,124,331	428	11,117,240
Total assets	11,088,881	1,838,657	26,625,545
Deferred outflows of resources:			
Deferred charges on refunding	229,807	134,696	119,987
Pension	248,955	27,847	1,079,872
Total deferred outflows of resources	478,762	162,543	1,199,859
Liabilities:			
Current liabilities:			
Accounts payable	7,168	-	1,340,099
Accrued wages and benefits	23,912	5,000	80,467
Intergovernmental payable	16,807	3,312	56,049
Interfund payable	4,579	-	96,352
Accrued interest payable	8,418	26,844	3,207
Claims payable	-	-	-
Retainage payable	-	-	-
Notes payable	975,000	-	-
Payable from restricted assets – customer deposits	-	-	352,757
AMP Ohio payable	-	-	2,451
Compensated absences payable	243,115	12,347	289,410
OWDA loans payable	-	565,513	-
General obligation bonds payable	223,000	199,000	170,000
Total current liabilities	1,501,999	812,016	2,390,792
Long-term liabilities (net of current portion):			
Advances from other funds	-	100,000	-
Compensated absences payable	89,307	39,787	479,223
OWDA loans payable	-	588,590	-
General obligation bonds payable	3,407,695	1,630,178	1,560,967
Net pension liability	623,526	69,745	2,704,621
Total long-term liabilities	4,120,528	2,428,300	4,744,811
Total liabilities	5,622,527	3,240,316	7,135,603
Deferred inflows of resources:			
Pension	13,865	1,551	60,142
Net position:			
Net investment in capital assets	5,719,619	-	9,317,210
Unrestricted (deficit)	211,632	(1,240,667)	11,312,449
Total net position	$ 5,931,251	$ (1,240,667)	$ 20,629,659

The accompanying notes are an integral part of the financial statements.

Storm Sewer	Other Enterprise Fund	Totals	Governmental Activities – Internal Service Funds
$ 1,115,141	$ 80,375	$ 13,249,501	$ 914,349
51,259	41,072	1,452,713	231,729
-	-	3,728,370	-
-	-	-	77
-	-	1,800,739	-
-	-	-	36,589
-	-	14,851	-
-	-	352,757	-
1,166,400	121,447	20,598,931	1,182,744
-	-	170,011	-
1,091,483	2,008,225	4,388,927	11,967
2,626,676	1,404,267	22,792,872	1,909,464
4,852	-	25,692	-
3,723,011	3,412,492	27,377,502	1,921,431
4,889,411	3,533,939	47,976,433	3,104,175
284,227	31,245	799,962	-
315,871	-	1,672,545	-
600,098	31,245	2,472,507	-
8,117	65,682	1,421,066	58,926
20,089	11,489	140,957	15,305
7,818	6,598	90,584	9,265
80,350	599,601	780,882	-
5,008	1,683	45,160	-
-	-	-	2,448
2,740	-	2,740	-
-	-	975,000	-
-	-	352,757	-
-	-	2,451	-
87,057	93,602	725,531	75,457
-	-	565,513	-
153,000	125,000	870,000	-
364,179	903,655	5,972,641	161,401
-	-	100,000	-
8,991	47,647	664,955	22,851
-	-	588,590	-
2,449,854	706,178	9,754,872	-
791,172	-	4,189,064	-
3,250,017	753,825	15,297,481	22,851
3,614,196	1,657,480	21,270,122	184,252
17,591	-	93,149	-
1,399,532	2,612,559	19,048,920	1,921,431
458,190	(704,855)	10,036,749	998,492
$ 1,857,722	$ 1,907,704	$ 29,085,669	$ 2,919,923

City of Hudson, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

For the Year Ended December 31, 2016

	Water	Wastewater	Electric
Operating revenues:			
Charges for services	$ 1,981,805	$ -	$ 21,701,254
Other	71,050	890	55,757
Total operating revenues	2,052,855	890	21,757,011
Operating expenses:			
Personal services	740,293	56,416	3,247,640
Materials and supplies	161,630	6,718	92,068
Contractual services	362,650	4,956	17,275,017
Claims	-	-	-
Other	1,120	-	61,135
Depreciation	333,630	28,880	429,289
Total operating expenses	1,599,323	96,970	21,105,149
Operating income (loss)	453,532	(96,080)	651,862
Non-operating (expenses) revenues:			
Intergovernmental	-	-	-
Investment loss	-	(189)	-
Interest and fiscal charges	(127,105)	(41,752)	(51,147)
Gain (loss) on disposal of capital assets	5,990	-	26,851
Total non-operating (expenses) revenues	(121,115)	(41,941)	(24,296)
Income (loss) before transfers and special item	332,417	(138,021)	627,566
Transfers and special item:			
Transfers – in	-	115,000	-
Special item – disposal of operations	-	(7,315,492)	-
Total transfers and special item	-	(7,200,492)	-
Change in net position	332,417	(7,338,513)	627,566
Net position at beginning of year	5,598,834	6,097,846	20,002,093
Net position at end of year	$ 5,931,251	$ (1,240,667)	$ 20,629,659

The accompanying notes are an integral part of the financial statements.

	Storm Sewer	Other Enterprise Fund	Totals	Governmental Activities – Internal Service Funds
	$ 5,803	$ 1,285,076	$ 24,973,938	$ 2,352,936
	-	66,423	194,120	212,794
	5,803	1,351,499	25,168,058	2,565,730
	1,010,232	563,704	5,618,285	678,274
	85,815	306,179	652,410	358,418
	251,691	153,093	18,047,407	309,444
	-	-	-	505,417
	-	35,191	97,446	-
	102,236	141,486	1,035,521	402,460
	1,449,974	1,199,653	25,451,069	2,254,013
	(1,444,171)	151,846	(283,011)	311,717
	600,000	-	600,000	-
	-	-	(189)	54
	(80,100)	(26,615)	(326,719)	-
	-	-	32,841	(28,793)
	519,900	(26,615)	305,933	(28,739)
	(924,271)	125,231	22,922	282,978
	1,964,996	30,000	2,109,996	-
	-	-	(7,315,492)	-
	1,964,996	30,000	(5,205,496)	-
	1,040,725	155,231	(5,182,574)	282,978
	816,997	1,752,473	34,268,243	2,636,945
	$ 1,857,722	$ 1,907,704	$ 29,085,669	$ 2,919,923

City of Hudson, Ohio

Statement of Cash Flows
Proprietary Funds

For the Year Ended December 31, 2016

	Water	Wastewater	Electric
Cash flows from operating activities:			
Cash received from customers	$ 1,983,942	$ 361,527	$ 21,445,977
Cash received from interfund services provided	-	-	-
Cash payments to employees for services	(699,275)	(54,576)	(2,859,206)
Cash payments for goods and services	(550,816)	(278,534)	(17,443,109)
Cash payments for claims	-	-	-
Cash payments for interfund services used	-	-	-
Other operating revenues	72,061	820	82,090
Other operating expenses	(1,120)	-	(76,622)
Net cash provided by (used for) operating activities	804,792	29,237	1,149,130
Cash flows from noncapital financing activities:			
Transfers – in	-	115,000	-
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(730,309)	-	(3,883,666)
Proceeds from sale of capital assets	5,990	-	26,851
Proceeds from issuance of notes	975,000	-	-
Principal payments	(386,905)	(731,340)	(165,000)
Interest payments	(111,795)	(94,527)	(42,536)
Grants received	-	-	-
Net cash used for capital and related financing activities	(248,019)	(825,867)	(4,064,351)
Cash flows from investing activities:			
Interest on investments	-	-	-
Net increase (decrease) cash and cash equivalents	556,773	(681,630)	(2,915,221)
Cash and cash equivalents at beginning of year	690,865	719,120	14,036,835
Cash and cash equivalents at end of year	$ 1,247,638	$ 37,490	$ 11,121,614

The accompanying notes are an integral part of the financial statements.

Storm Sewer	Other Proprietary Fund	Totals	Governmental Activities – Internal Service Funds
$ 5,803	$ 1,285,076	$ 25,082,325	$ -
-	-	-	2,371,191
(843,363)	(653,158)	(5,109,578)	(655,010)
(362,315)	(464,907)	(19,099,681)	(732,512)
-	-	-	(524,653)
-	-	-	3,472
-	66,472	221,443	212,794
-	(116,460)	(194,202)	-
(1,199,875)	117,023	900,307	675,282
1,964,996	30,000	2,109,996	-
(1,217,053)	(28,640)	(5,859,668)	(669,115)
-	-	32,841	69
-	-	975,000	-
(150,000)	(120,000)	(1,553,245)	-
(64,894)	(23,293)	(337,045)	-
600,000	-	600,000	-
(831,947)	(171,933)	(6,142,117)	(669,046)
-	-	-	83
(66,826)	(24,910)	(3,131,814)	6,319
1,181,967	105,285	16,734,072	908,030
$ 1,115,141	$ 80,375	$ 13,602,258	$ 914,349

(Continued)

City of Hudson, Ohio

Statement of Cash Flows
Proprietary Funds (continued)

For the Year Ended December 31, 2016

		Water		Wastewater		Electric
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	$	453,532	$	(96,080)	$	651,862
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation		333,630		28,880		429,289
(Increase) decrease in operating assets:						
Accounts receivable		(735)		393,889		(256,655)
Materials and supplies inventory		(915)		6,913		16,284
Due from other fund		-		-		-
Special assessments receivable		3,883		-		-
Increase (decrease) in operating liabilities:						
Accounts payable		(20,676)		(273,809)		(79,062)
Accrued wages and benefits		884		921		16,991
Intergovernmental payable		(2,935)		(7,763)		(5,700)
Due to other funds		(5,457)		-		40,671
Net pension asset		(1,260)		2,411		(5,668)
Deferred outflows – OPERS		(181,719)		46,618		(793,446)
Net pension liability		266,484		(44,105)		1,183,619
Deferred inflows – OPERS		6,810		(6,262)		30,089
Claims payable		-		-		-
Customer deposits		-		-		37,277
AMP Ohio Payable		-		-		(81,799)
Compensated absences payable		(46,734)		(22,376)		(34,622)
Total adjustments		351,260		125,317		497,268
Net cash provided by (used for) operating activities	$	804,792	$	29,237	$	1,149,130
Non-cash capital financing activities:						
Amortization of premium on general obligation bonds	$	(6,520)	$	(5,711)	$	(1,424)
Amortization of loss on refunding		22,729		7,089		10,372
Construction in progress disposed in current year		-		(593,262)		-

The accompanying notes are an integral part of the financial statements.

Storm Sewer	Other Proprietary Fund	Totals	Governmental Activities – Internal Service Funds
$ (1,444,171)	$ 151,846	$ (283,011)	$ 311,717
102,236	141,486	1,035,521	402,460
-	49	136,548	-
(3,105)	(20,686)	(1,509)	(12,612)
-	-	-	20,353
-	-	3,883	-
(25,530)	14,246	(384,831)	(48,879)
5,344	11,457	35,597	5,346
(2,800)	(2,558)	(21,756)	(2,085)
910	(81,570)	(45,446)	(1,779)
(1,956)	-	(6,473)	-
(239,894)	-	(1,168,441)	-
387,663	-	1,793,661	-
9,620	-	40,257	-
2,740	-	2,740	(19,236)
-	-	37,277	-
-	-	(81,799)	-
9,068	(97,247)	(191,911)	19,997
244,296	(34,823)	1,183,318	363,565
$ (1,199,875)	$ 117,023	$ 900,307	$ 675,282
$ (1,211)	$ (883)	$ (15,749)	$ -
16,816	4,463	61,469	-
-	-	(593,262)	-

City of Hudson, Ohio

Statement of Fiduciary Net Position
Fiduciary Funds

December 31, 2016

		Agency
Assets:		
Equity in pooled cash and cash equivalents	$	890,189
Property taxes receivable		2,532,005
Municipal income taxes receivable		341,535
Total assets	$	3,763,729
Liabilities and deferred inflows of resources:		
Liabilities:		
Undistributed monies	$	240,588
Deposits held and due to others		722,081
Intergovernmental payable		341,535
Total liabilities		1,304,204
Deferred inflows of resources:		
Property taxes		2,459,525
Total liabilities and deferred inflows of resources	$	3,763,729

The accompanying notes are an integral part of the financial statements.

Note 1: Description of the City and Reporting Entity

The City of Hudson, Ohio (the "City") is a charter municipal corporation established and operating under the laws of the State of Ohio. The City was incorporated as a village in 1837, and became a city on March 20, 1991. The City merged with Hudson Township on January 1, 1994. The municipal government provided by the Charter is known as a Mayor – Council – Manager form of government. Legislative power is vested in a seven-member Council, each elected to a four-year term. The Mayor is also elected to a four-year term and is the official and ceremonial head of the municipal government. The City Manager is the chief executive officer and the head of the administrative agencies of the City. The City Manager appoints all department managers while Council appoints the Clerk of Council.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the City are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Hudson, this includes police and fire protection, emergency medical, parks, planning, zoning, street maintenance and repair, and general administrative services. Overall, City activities are directly controlled by Council through the budgetary process.

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; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City is associated with a joint venture and a shared risk pool. The joint venture is the Ohio Municipal Electric Generation Agency Joint Venture 5. The Northern Ohio Risk Management Association (NORMA) is the shared risk pool. These organizations are presented in Notes 21 and 22, respectively.

Note 2: Summary of Significant Accounting Politics

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

Note 2: Summary of Significant Accounting Politics (continued)

A. Basis of Presentation (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. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

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. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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

Street Construction Fund The Street Construction Special Revenue Fund accounts for proceeds of specific revenue sources that are legally restricted to expenditures for street maintenance and repair.

Street Sidewalk Construction Fund The Street Sidewalk Construction Capital Projects Fund accounts for the costs of the City's annual street and sidewalk maintenance and construction program.

Broadband Capital Fund The Broadband Capital Fund accounts for the costs of the City's buildout of its broadband capacity.

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

Proprietary Funds Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

Water Fund The Water Fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Wastewater Fund The Wastewater Fund accounted for the costs of operating the municipally-owned wastewater system and the related revenues from charges for services. In the current year the waste water lines were transferred to Summit County. See Extraordinary and Special Items section for additional information.

Electric Fund The Electric Fund accounts for the cost of operating the municipally-owned electric utility and the related revenue from charges for services.

Storm Sewer Fund The Storm Sewer Fund accounts for the cost of operating the City's storm sewer system.

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Internal Service Funds Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds report on equipment and reserve and fleet management, a self-insurance program for employee medical benefits, flexible benefits, and information services.

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. The agency funds account for contractor's deposits and bonds held by the City, property taxes levied by the City on behalf of Hudson Library and Historical Society and Hudson Schools, insurance proceeds held as deposits on fire claims as well as traffic fines and associated state costs that are distributed to the City's General Fund and the State of Ohio, as required. The City has no trust funds.

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.

Fund Financial Statements All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources are generally included on the Balance Sheet.

The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Note 2: Summary of Significant Accounting Policies (continued)

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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources and in the presentation of expenses versus expenditures.

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferred charge on refunding and payments made related to pension (see Note 16), both of which are reported in the government-wide and proprietary fund Statements of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

In addition to liabilities, the Statements of Net Position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, unavailable revenue, and amounts for the pension (see Note 16). Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, special assessments, interest, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget (or the alternative tax budget, as permitted by law), the certificate of estimated resources, and the annual appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the annual appropriation ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Any budgetary modifications at this level may only be made by resolution of the Council.

Tax Budget At the first Council meeting in July, the City Manager presents the annual tax budget for the following year to Council for consideration and passage. The adopted budget is submitted to the Fiscal Officer, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

Estimated Resources The County Budget Commission (the "Commission") determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews the estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2016.

Appropriations For management, a temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. Appropriations by fund must be within the estimated resources as certified by the Commission, and the total of expenditures and encumbrances may not exceed the appropriations at the legal level of control. Any revisions that alter the appropriations among departments within a fund must first be approved by Council.

Council may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. Appropriation amounts are as originally adopted, or as amended by Council throughout the year by supplemental appropriations which either reallocate or increase the original appropriation amounts. During the year, supplemental appropriation measures were legally enacted; however, none of these amendments were significant. The budgetary figures which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of budgetary control.

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

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including the proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as overnight repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the year 2016 amounted to $489,124, which includes $121,505 assigned from other City funds.

The City has segregated bank accounts and investments for monies held separate from the City's central bank accounts. These accounts and investments are presented on the financial statements as "Cash in segregated accounts" and "Investments in segregated accounts" since they are not required to be deposited into the City treasury.

The City has donated stock. The account is presented on the financial statements as "Investment in common stock" since they are not required to be deposited into the City treasury. See Note 6, Deposits and Investments.

Investments of the cash pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

G. Interfund Balances

On the fund financial statements, interfund loans are classified as "Interfund receivable/payable" on the Balance Sheet. Long-term interfund loans are classified as "Advances to/from other funds" on the Balance Sheet and are equally offset as part of nonspendable fund balance which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

H. Inventory

Inventories of all funds are stated at cost which is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditures in the governmental fund types and as expenses in the proprietary fund types when used.

Note 2: Summary of Significant Accounting Policies (continued)

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of $5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, traffic signals, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	50 years	50 years
Land improvements	15 to 50 years	15 to 50 years
Vehicles	5 to 8 years	5 to 8 years
Equipment, furniture and fixtures	5 to 30 years	5 to 30 years
Infrastructure	30 to 65 years	30 to 65 years

J. Compensated Absences

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

Sick leave benefits are reported as a liability using the vesting method. An accrual for sick leave is made for those employees who are currently eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. The liability is an estimate based on the City's past experience of making termination payments. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Note 2: Summary of Significant Accounting Policies (continued)

J. Compensated Absences (continued)

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "matured compensated absences" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported.

K. Payables, Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

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

Note 2: Summary of Significant Accounting Policies (continued)

L. Fund Balance (continued)

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Council or a City official delegated that authority by the Council.

Council assigned fund balance to cover a gap between estimated revenue and appropriations in the 2017 appropriated budget.

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

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

M. Net Position

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

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

Note 2: Summary of Significant Accounting Policies (continued)

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water services, electric services, storm sewer services, and self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

O. Contributions of Capital

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

P. Interfund Activity

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

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

Q. Deferred Charge on Refunding

The difference between the reacquisition price (funds required to refund the old debt) of various refunding bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the Statement of Net Position.

R. Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon 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 2: Summary of Significant Accounting Policies (continued)

S. Bond Premiums and Discounts

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are receipted in the year the bonds are issued.

T. 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. In fiscal year 2016, the City reported a special item related to transferring its sanitary sewer system to Summit County Department of Environmental Services ("Summit"), effective January 1, 2016. No extraordinary item occurred during 2016.

As part of the transfer, Summit agreed to pay the City the amounts needed for principal and interest payments on certain debt obligations of the City that funded the sewer system. Total future payments due under this agreement are $2,238,743, to be paid to the City through fiscal year 2035. This amount has been recorded at $1,800,739, the net present value at December 31, 2016.

The transfer of the sewer system included the nonoperating revenues and expenses below:

Revenue from Summit receivable	$	1,800,739
Expense from disposal of sewer system assets		(9,116,231)
	$	(7,315,492)

U. 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.

V. Reclassification

Prior year data presented in the Management's Discussion and Analysis have been reclassified in order to be comparative and provide an understanding of the changes in financial position and operations.

Note 3: Changes in Accounting Principles

For the year ended December 31, 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and GASB Statement No. 82, *Pension Issues-an Amendment of GASB Statements No. 67, No. 68 and No. 73*.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the City's financial statements; however, there was no effect on beginning net position.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions- An Amendment of GASB Statement No. 27*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. These changes were incorporated in the City's financial statements; however, there was no effect on beginning net position.

GASB Statement No. 76 identifies in the context of the current governmental financial reporting environment – the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The City's implementation of this GASB pronouncement had no effect on beginning net position.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's financial statements; however, there was no effect on beginning net position.

Note 4: Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. A Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual is presented for the General Fund and Street Construction Special Revenue Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute.

The major difference between the budgetary basis and the GAAP basis are:

1) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2) Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).
3) Encumbrances are treated as expenditures (budgetary) rather than as restricted, committed, or assigned fund balance (GAAP).
4) Short-term note proceeds, short-term note principal retirements, advances-in, and advances-out for governmental funds are operating transactions (budgetary) as opposed to balance sheet transactions (GAAP).
5) State statute requires short-term note debt to be repaid from the Debt Service fund (budgetary) as opposed to the fund that received the proceeds (GAAP). Debt Service Fund resources used to pay both principal and interest have been allocated accordingly.

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

Net Change In Fund Balance	General Fund	Street Construction
GAAP basis	$ (875,179)	$ 60,801
Net adjustment for revenue accruals	91,901	(251)
Net fair market value adjustment	(45,028)	-
Net adjustment for expenditure accruals	(365,770)	34,280
Encumbrances	(480,499)	(134,727)
Budgetary basis	$ (1,674,575)	$ (39,897)

Note 5: Fund Balances

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

	General Fund	Street Construction	Street Sidewalk Construction	Broadband Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventory	$ 29,594	$ 283,797	$ -	$ -	$ 27,556	$ 340,947
Interfund loan receivable	100,000	-	-	-	-	100,000
Principal trust	-	-	-	-	6,473	6,473
Total nonspendable	129,594	283,797	-	-	34,029	447,420
Restricted for:						
Streets and highways	-	286,674	-	-	80,840	367,514
Cemetery	-	-	-	-	144,276	144,276
Law enforcement and education	-	-	-	-	115,144	115,144
Debt service	-	-	-	-	445,712	445,712
Capital improvements	-	-	-	-	121,599	121,599
Total restricted	-	286,674	-	-	907,571	1,194,245
Committed to:						
Community and economic development	-	-	-	-	2,839,449	2,839,449
Fire District and EMS	-	-	-	-	2,873,167	2,873,167
Cemetery improvement	-	-	-	-	4,163	4,163
Storm sewer assessment	-	-	-	-	278,490	278,490
Tree trust	-	-	-	-	46,261	46,261
Playground trust	-	-	-	-	12,663	12,663
Poor endowment trust	-	-	-	-	36,509	36,509
Veterans memorial	-	-	-	-	16,966	16,966
Other purposes	-	-	-	-	8,150	8,150
Street sidewalk construction	-	-	110,160	-	-	110,160
Capital improvements	-	-	-	-	504,752	504,752
Total committed	-	-	110,160	-	6,620,570	6,730,730
Assigned to:						
Other purposes	336,457	-	-	-	-	336,457
2017 Appropriations	4,324,156	-	-	-	-	4,324,156
Bond retirement	-	-	-	-	523,946	523,946
Total assigned	4,660,613	-	-	-	523,946	5,184,559
Unassigned (deficit)	6,933,359	-	-	(1,862,900)	(260,061)	4,810,398
Total fund balances	$ 11,723,566	$ 570,471	$ 110,160	$ (1,862,900)	$ 7,826,055	$ 18,367,352

Note 6: Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the 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 the Council has identified as not required for use within the current two-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 monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;

4. Investment grade obligations of state and local governments, and public authorities;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

6. The State Treasurer's investment pool (STAROhio).

Note 6: 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. Commercial paper notes issued by an entity that is defined in division (D) of Section 1705.01 of the Ohio Revised Code and that has assets exceeding five hundred million dollars, to which the notes are rated at the time of purchase in the highest classification established by at least two nationally recognized standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and

2. Bankers acceptances of banks that are insured by the FDIC and to which the obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than 180 (one hundred eighty) days after purchase.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. Protection of the City's deposits is provided by the FDIC, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of City funds shall be required to pledge as security for repayment of all public moneys.

At year-end, the carrying amount of the City's deposits was $14,762,177 and the bank balance was $15,245,643. Of the bank balance $1,221,640 was covered by FDIC and $14,024,003 was uninsured and was collateralized with securities held by the pledging institution's agent in the City's name. At year-end, the City had $1,400 in cash on hand.

Note 6: Deposits and Investments (continued)

Investments

Investments are reported at fair value. As of December 31, 2016, the City had the following investments:

		Maturities (in years)	
	Fair Value	Less than 1	1 - 4
Common Stock (donated)	$ 22,554	$ 22,554	$ -
Federal Farm Credit Bank	1,743,698	998,935	744,763
Federal Home Loan Bank	500,260	500,260	-
Federal Home Loan Mortgage Corporation	999,755	500,775	498,980
Federal National Mortgage Association	774,154	524,324	249,830
MBS Negotiable CD's	14,966,405	1,839,687	13,126,718
Money Market	5,306	5,306	-
Series E Bonds	2,987	2,987	-
Total Portfolio	$ 19,015,119	$ 4,394,828	$ 14,620,291

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2016:

- Common stock is measured based on Level 1 inputs, using quoted prices in active markets.
- Municipal bonds, negotiable CD's and Series E bonds are measured based on Level 2 inputs, using a matrix or model pricing method.
- Money market is valued at amortized cost, which approximates fair value.

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk requiring that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City's investment policy also limits security purchases to those that mature not later than five years from purchase unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than five years.

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the City must meet a set of prescribed standards and be periodically reviewed.

Credit Risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. All investments of the City are registered and carry a rating AA+ by Standard & Poor's.

Note 6: Deposits and Investments (continued)

Investments

Concentration of Credit Risk is defined by the GASB as five percent or more in the securities of a single issuer. The City's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations. The following is the City's allocation as of December 31, 2016:

Investment Issuer	Percentage of Investments
Common Stock (donated)	0.12%
Federal Farm Credit Bank	9.17
Federal Home Loan Bank	2.63
Federal Home Loan Mortgage Corporation	5.26
Federal National Mortgage Association	4.07
MBS Negotiable CD's	78.70
Money Market	0.03
Series E Bonds	0.02
Total	100.00%

Note 7: Receivables

Receivables at December 31, 2016, consisted of taxes, accounts (billings for user charged services, rents and royalties), interfund, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenues. All accounts, taxes, special assessments and intergovernmental receivables are deemed collectible in full.

A summary of intergovernmental receivables follows:

Governmental activities:	
Fees and fines	$ 22,421
Local government	210,980
CAT tax reimbursements	1,912
Inheritance	14,489
Grants	256,200
Auto registration, licenses, and gasoline tax	462,537
Total governmental activities	968,539
Business-type activities:	
Summit County	1,800,739
Total	$ 2,769,278

Note 8: Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Real property taxes collected in 2016 are levied after October 1, 2015, on assessed value as of January 1, 2015, the lien date. Assessed values are established by state law at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes collected in 2016 were intended to finance 2016 operations.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at varying percentages of true value. Public utility property taxes paid in 2016 that became a lien on December 31, 2015, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2016, was $7.73 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

		Total Assessed Value
Real Property Valuation:		
Residential/Agriculture	$	750,601,640
Commercial/Industrial/Mineral		109,219,430
Public Utilities		147,520
Tangible Personal Property Valuation:		
Public Utilities		5,952,290
Total Valuation	$	865,920,880

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.

Note 9: Income Tax

The City levies a municipal income tax of two percent on all gross salaries, wages, and other compensation, earned by the residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted 100 percent credit for taxes paid to other municipalities.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) either monthly or quarterly as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, disbursement of the revenue received from income taxes is as follows: first, all expenses of collecting the tax and of administering and enforcing the income tax ordinance are paid. Then, the balance remaining after payment of the expenses is deposited in the General Fund for street construction, maintenance and repair, capital improvements, and general municipal operations, or such other fund or funds as Council may, from time to time, establish or designate. The City of Hudson voters approved an increase in the income tax rate from one percent to two percent effective January 1, 2005, with 15 percent of such additional one percent increase being designated for funding of the Fire Department; with nine percent of such additional one percent increase being designated for funding of Emergency Medical Services; with 15 percent of such additional one percent increase being designated for funding of the Park System; and with 13.5 percent of such additional one percent increase being designated for community learning centers in the City, in cooperation with the Hudson City School District. For 2016, municipal income tax revenue was $18,616,303, which represents the City’s portion net of amount due to Hudson City School District.

Note 10: Special Assessments

Special assessments include annually assessed service assessments. Service type special assessments are levied against all property owners who benefit from the provided service. Special assessments are payable by the time and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance.

The City’s special assessments include water main and storm sewer improvements, traffic signals, and sidewalks which are billed and collected by the County Fiscal Officer. The County Fiscal Officer periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year.

Note 11: Capital Assets

	Balance 12/31/15	Additions	Disposals	Balance 12/31/16
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 14,618,513	$ -	$ -	$ 14,618,513
Construction in progress	4,238,808	2,791,146	(4,238,806)	2,791,148
Total capital assets, not being depreciated	18,857,321	2,791,146	(4,238,806)	17,409,661
Capital assets, being depreciated:				
Buildings	9,350,174	124,541	-	9,474,715
Land improvements	4,746,454	108,289	(24,148)	4,830,595
Vehicles	7,194,150	865,881	(296,043)	7,763,988
Equipment, furniture and fixtures	3,974,777	218,428	(173,915)	4,019,290
Infrastructure				
Roads	136,076,074	5,114,707	-	141,190,781
Sidewalks	3,752,625	-	-	3,752,625
Traffic signals	2,960,234	11,677	-	2,971,911
Broadband	493,813	687,179	-	1,180,992
Total capital assets, being depreciated	168,548,301	7,130,702	(494,106)	175,184,897
Less accumulated depreciation:				
Buildings	(3,116,343)	(244,190)	-	(3,360,533)
Land improvements	(1,156,099)	(238,365)	6,761	(1,387,703)
Vehicles	(4,617,482)	(726,671)	252,659	(5,091,494)
Equipment, furniture and fixtures	(2,626,527)	(238,529)	121,449	(2,743,607)
Infrastructure				
Roads	(63,953,059)	(4,657,260)	-	(68,610,319)
Sidewalks	(1,564,752)	(118,564)	-	(1,683,316)
Traffic signals	(1,878,751)	(100,413)	-	(1,979,164)
Broadband	(24,691)	(59,049)	-	(83,740)
Total accumulated depreciation	(78,937,704)	(6,383,041)	380,869	(84,939,876)
Total capital assets, being depreciated, net	89,610,597	747,661	(113,237)	90,245,021
Governmental activities capital assets, net	$ 108,467,918	$ 3,538,807	$ (4,352,043)	$ 107,654,682

Depreciation expense was charged to governmental functions as follows:

General government	$ 1,422,731
Security of persons and property	378,978
Public health	22,067
Leisure time services	215,307
Transportation	4,343,958
Total	$ 6,383,041

Note 11: Capital Assets (continued)

	Balance 12/31/15	Additions	Disposals	Balance 12/31/16
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 2,362,513	$ -	$ (30,050)	$ 2,332,463
Construction in progress	920,578	1,734,648	(598,762)	2,056,464
Total capital assets, not being depreciated	3,283,091	1,734,648	(628,812)	4,388,927
Capital assets being depreciated:				
Buildings	5,362,784	3,887,943	(3,085,678)	6,165,049
Land improvements	2,123,612	-	(20,929)	2,102,683
Vehicles	1,999,066	-	(160,337)	1,838,729
Equipment, furniture and fixtures	4,310,639	13,826	(259,765)	4,064,700
Infrastructure				
Water main lines	15,182,784	-	-	15,182,784
Sewer lines	10,493,122	-	(10,493,122)	-
Storm water lines	2,975,981	213,854	-	3,189,835
Electric	9,370,516	-	-	9,370,516
Total capital assets, being depreciated	51,818,504	4,115,623	(14,019,831)	41,914,296
Less accumulated depreciation:				
Buildings	(2,398,996)	(125,781)	1,152,348	(1,372,429)
Land improvements	(1,237,445)	(102,827)	20,929	(1,319,343)
Vehicles	(1,892,650)	(65,649)	160,337	(1,797,962)
Equipment, furniture and fixtures	(3,123,500)	(139,099)	162,182	(3,100,417)
Infrastructure				
Water main lines	(7,258,954)	(302,889)	-	(7,561,843)
Sewer lines	(3,807,177)	-	3,807,177	-
Storm sewer	(518,268)	(72,417)	-	(590,685)
Electric	(3,151,886)	(226,859)	-	(3,378,745)
Total accumulated depreciation	(23,388,876)	(1,035,521)	5,302,973	(19,121,424)
Total capital assets, being depreciated, net	28,429,628	3,080,102	(8,716,858)	22,792,872
Business-type activities capital assets, net	$ 31,712,719	$ 4,814,750	$ (9,345,670)	$ 27,181,799

Note 12: Risk Management

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 disasters. The City has joined together with other neighboring cities to form the Northern Ohio Risk Management Association (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability, and vehicle insurance and providing for a formalized, jointly administered Self-Insurance Fund. The City pays an annual premium to NORMA for its insurance coverage. The agreement for formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of limits described in the agreement. This coverage is maintained through the General Fund. There has not been a significant reduction is coverage from the prior year and claims have not exceeded coverage provided by NORMA in any of the last three years.

During 2016, the City contracted its medical insurance through a fully insured plan offered by Summa.

In addition, the City has established a Health Care Self-Insurance Fund. The purpose of this fund is to pay dental and vision claims of the City's employees and their covered dependents in order to minimize the total cost of annual health care insurance. The City has contracted with a third-party administrator to direct this program.

The claims liability of $2,448 reported in the fund at December 31, 2016, is based on the requirements of GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims to be reported. The costs are to be based on the estimated ultimate cost of settling the claims using past experience adjusted for current trends, and any other factors that would modify past experience. The claims liability is based on an estimate supplied by the City's third-party administrator. A summary of the fund's claims liability follows:

Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2015	$ 17,745	$ 280,022	$ 276,083	$ 21,684
2016	21,684	226,803	246,039	2,448

Note 13: Short-Term Obligations

Changes in the City's note activity for the year ended December 31, 2016, were as follows:

	Balance 12/31/15	Additions	Reductions	Balance 12/31/16
Governmental activities various improvement	$ -	$ 3,500,000	$ -	$ 3,500,000
Business-type activities various improvement	$ -	$ 975,000	$ -	$ 975,000
Total various improvement	$ -	$ 4,475,000	$ -	$ 4,475,000

City of Hudson, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2016

Note 13: Short-Term Obligations (continued)

The notes are backed by the full faith and credit of the City and mature within one year. The liability is reflected in the funds which received the proceeds. All note proceeds have been fully expended. The notes mature on December 29, 2017.

Note 14: Long-term Obligations

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. There are limitations on the number of times a note can be renewed.

The original issue date, interest rates, and original issuance amount for each of the City's bonds follows:

Debt Issue	Original Issuance Year	Maturity Year	Original Interest Rates	Original Issuance Amount
Governmental Funds:				
General Obligation Bonds:				
2004 Milford/RT 91 Construction G.O. Bond	2004	2024	3.000% - 5.000%	4,200,000
2008 Park Improvement G.O. Bonds Refunded	2008	2018	3.250% - 5.000%	4,248,000
2008 Village South G.O. Bonds Refunded	2008	2019	3.250% - 5.000%	1,947,000
2008 Library Improvement G.O. Bonds Refunded	2008	2019	3.250% - 5.000%	5,580,000
2008 Park Improvement G.O. Bonds Refunded	2008	2019	3.000% - 4.000%	710,000
2008 Library Improvement C.A.B. Bonds Refunded	2008	2019	19.920%	95,000
2011 Park Improvement G.O. Bond Refunded	2011	2018	2.000%	510,000
2011 Community Center Expansion G.O. Bond Refunded	2011	2023	2.000%	175,000
2011 Police Facility Construction G.O. Bond Refunded	2011	2023	2.000%	2,120,000
2011 Road Improvement G.O. Bond Refunded	2011	2023	2.000%	640,000
2011 Street Improvement – Seasons Road G.O. Bond	2011	2031	1.250% - 4.000%	1,175,000
2011 Street Improvement – Atterbury Boulevard G.O. Bond	2011	2031	1.250% - 4.000%	3,770,000
2012 Milford/RT 91 Construction G.O. Bond Refunded	2012	2024	1.500% - 2.000%	2,305,000
2012 Capital Facilities G.O. Bond	2012	2032	1.500% - 2.500%	4,735,000
2013 Street Improvement G.O. Bond	2013	2023	2.000% - 3.000%	5,000,000
Special Assessment Bonds:				
1998 Executive Parkway S.A. Bonds	1998	2018	4.300% - 5.000%	1,060,000
1999 Water Main Construction S.A. Bonds	1999	2019	3.900% - 5.625%	420,000
2008 Sewer Improvements S.A. Bonds Refunded	2008	2016	3.000% - 3.750%	840,000
OPWC Loan	2009	2030	0.000%	143,714

Note 14: Long-term Obligations (continued)

	Original Issuance Year	Maturity Year	Original Interest Rates	Original Issuance Amount
Business Type Funds:				
General Obligation Bonds:				
1998 Golf Course Improvement G.O. Bonds	1998	2019	4.300% - 5.000%	$ 690,000
2004 Electric Issue G.O. Bonds	2004	2034	3.000% - 5.000%	1,000,000
2004 Sewer Improvement G.O. Bonds	2004	2034	3.000% - 5.000%	855,000
2005 Sewer Improvement G.O. Bonds	2005	2035	3.000% - 5.000%	1,230,000
2005 Storm Water Improvement G.O. Bond	2005	2035	3.000% - 5.000%	2,410,000
2005 Water System Improvement G.O. Bond	2005	2035	3.000% - 5.000%	1,720,000
2008 Water System Improvement G.O. Bond Refunded	2008	2016	3.000% - 3.750%	1,240,000
2011 Golf Course Improvement G.O. Bond Refunded	2011	2023	2.000%	875,000
2011 Storm Water Improvement G.O. Bond Refunded	2011	2023	2.000%	580,000
2011 Substation Construction G.O. Bond Refunded	2011	2023	2.000%	1,190,000
2011 Water System Improvement G.O. Bond Refunded	2011	2033	2.000%	3,210,000
2012 Water System Improvement Refunded	2012	2035	2.000% - 3.000%	604,000
2012 Water System Improvement	2012	2017	2.000%	280,000
2012 Sewer Improvement Refunded	2012	2034	2.000%-3.000%	623,000
2012 Sewer Improvement Refunded	2012	2035	2.000%-3.000%	1,114,000
2012 Sewer Improvement	2012	2017	2.000%	605,000
2012 Electric Issue Refunded	2012	2034	2.000%-3.000%	722,000
2012 Storm Water Improvement Refunded	2012	2035	2.000%-3.000%	2,182,000
OWDA Loan	1999	2018	4.040%	8,266,307

Note 14: Long-term Obligations (continued)

The changes in the City's long-term obligations during the year consist of the following:

	Balance 12/31/15	Additions	Retirements	Balance 12/31/16	Amount Due in One Year
Governmental activities:					
General Obligation Bonds:					
2004 Milford/Rt. 91 Construction	$ 430,000	$ -	$ (210,000)	$ 220,000	$ 220,000
2008 Park Improvement Refunded	1,186,286	-	(493,714)	692,572	521,143
2008 Village South Refunded	543,714	-	(226,286)	317,428	238,857
2008 Park Improvement Refunded	325,000	-	(80,000)	245,000	80,000
2008 Library Improvement Refunded	2,175,000	-	(690,000)	1,485,000	725,000
2011 Park Improvement Refunded	220,000	-	(75,000)	145,000	75,000
2011 Community Center Expansion Refunded	165,000	-	(20,000)	145,000	20,000
2011 Police Facility Construction Refunded	2,020,000	-	(235,000)	1,785,000	240,000
2011 Road Improvement Refunded	605,000	-	(75,000)	530,000	70,000
2011 Street Improvement – Seasons Road	980,000	-	(50,000)	930,000	50,000
2011 Street Improvement – Atterbury Boulevard	3,155,000	-	(160,000)	2,995,000	165,000
2012 Milford/Rt. 91 Construction Refunded	2,110,000	-	(45,000)	2,065,000	45,000
2012 Capital Facilities	4,120,000	-	(210,000)	3,910,000	215,000
2013 Street Improvement	4,080,000	-	(475,000)	3,605,000	485,000
2008 Library Improvement Refunded					
Capital Appreciation Bonds	95,000	-	-	95,000	-
Appreciation on Bonds	455,094	62,532	-	517,626	-
Premium on General Obligation Bonds	588,634	-	(116,393)	472,241	-
Total General Obligation Bonds	23,253,728	62,532	(3,161,393)	20,154,867	3,150,000
Special Assessment Bonds:					
1998 Executive Parkway	225,000	-	(70,000)	155,000	75,000
1999 Water Main Construction	125,000	-	(30,000)	95,000	30,000
2008 Sewer Improvement Refunded	115,095	-	(115,095)	-	-
Premium on Special Assessment Bonds	1,418	-	(1,418)	-	-
Total Special Assessment Bonds	466,513	-	(216,513)	250,000	105,000
Ohio Public Works Commission Loan:					
2009 Atterbury Boulevard Renovations	104,191	-	(7,186)	97,005	7,186
Other Long-Term Obligations:					
Compensated absences	2,520,793	1,544,767	(2,223,575)	1,841,985	1,009,258
Net pension liability	11,546,829	3,862,301	-	15,409,130	-
Total governmental activities – long-term obligations	$ 37,892,054	$ 5,469,600	$ (5,608,667)	$ 37,752,987	$ 4,271,444

Note 14: Long-term Obligations (continued)

	Balance 12/31/15	Additions	Retirements	Balance 12/31/16	Amount Due in One Year
Business-type activities:					
General Obligation Bonds:					
1998 Golf Course Improvement	$ 110,000	$ -	$ (25,000)	$ 85,000	$ 25,000
2004 Electric Issue	55,000	-	(25,000)	30,000	30,000
2004 Sewer Improvement	45,000	-	(20,000)	25,000	25,000
2005 Storm Water Improvement	120,000	-	(60,000)	60,000	60,000
2005 Water System Improvement	30,000	-	(15,000)	15,000	15,000
2005 Sewer Improvement	60,000	-	(30,000)	30,000	30,000
2008 Water System Improvement Refunded	169,905	-	(169,905)	-	-
2011 Substation Construction Refunded	1,130,000	-	(135,000)	995,000	135,000
2011 Water System Improvement Refunded	3,095,000	-	(140,000)	2,955,000	140,000
2011 Storm Water Improvement Refunded	555,000	-	(65,000)	490,000	65,000
2011 Golf Course Improvement Refunded	835,000	-	(95,000)	740,000	100,000
2012 Water System Improvement Refunded	571,000	-	(7,000)	564,000	8,000
2012 Water System Improvement	115,000	-	(55,000)	60,000	60,000
2012 Sewer Improvement Refunded	601,000	-	(5,000)	596,000	5,000
2012 Sewer Improvement Refunded	1,052,000	-	(13,000)	1,039,000	14,000
2012 Sewer Improvement	245,000	-	(120,000)	125,000	125,000
2012 Electric Issue Refunded	699,000	-	(5,000)	694,000	5,000
2012 Storm Water Improvement Refunded	2,062,000	-	(25,000)	2,037,000	28,000
Premium on General Obligation Bonds	100,621	-	(15,749)	84,872	-
Total General Obligation Bonds	11,650,526	-	(1,025,654)	10,624,872	870,000
OWDA Loan:					
OWDA loan	1,697,443	-	(543,340)	1,154,103	565,513
Other Long-Term Obligations:					
AMP Ohio payable	84,250	2,781	(84,580)	2,451	2,451
Compensated absences	1,582,397	648,639	(840,550)	1,390,486	725,531
Net pension liability	2,676,978	1,512,086	-	4,189,064	-
Total business-type activities long-term obligations	$ 17,691,594	$ 2,163,506	$ (2,494,124)	$ 17,360,976	$ 2,163,495

Note 14: Long-term Obligations (continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2016, including interest payments of $6,114,996 are as follows:

Governmental Activities

Year ending December 31,	General Obligation Principal	General Obligation Interest *	Special Assessments Principal	Special Assessments Interest	OPWC Principal
2017	$ 3,150,000	$ 523,048	$ 105,000	$ 13,019	$ 7,186
2018	2,675,000	404,073	110,000	7,656	7,186
2019	1,750,000	1,015,478	35,000	1,969	7,186
2020	1,600,000	280,335	-	-	7,186
2021	1,639,000	249,590	-	-	7,186
2022-2026	5,211,000	767,805	-	-	35,930
2027-2031	2,855,000	315,763	-	-	25,145
2032-2036	285,000	7,125	-	-	-
Total	$ 19,165,000	$ 3,563,217	$ 250,000	$ 22,644	$ 97,005

Business-Type Activities

Year ending December 31,	General Obligation Principal	General Obligation Interest	OWDA Loan Principal	OWDA Loan Interest
2017	$ 870,000	$ 262,160	$ 565,513	$ 40,971
2018	665,000	239,235	588,590	17,894
2019	725,000	225,035	-	-
2020	695,000	210,780	-	-
2021	721,000	198,030	-	-
2022-2026	2,804,000	772,595	-	-
2027-2031	2,445,000	460,285	-	-
2032-2036	1,615,000	102,150	-	-
Total	$ 10,540,000	$ 2,470,270	$ 1,154,103	$ 58,865

*The accretion on the capital appreciation bonds is reported with future interest payments in the table above.

The business-type activities general obligation bonds will be paid with electric, wastewater, water service charges, and golf course revenues. The OWDA loan will be repaid with income tax monies and wastewater service charges from the Wastewater Enterprise Fund. The AMP Ohio payable will be paid from the Electric Fund, see Note 21. Governmental activities general obligation bonds will be paid from property taxes receipted in the Debt Service Funds. The special assessments bonds will be paid from the proceeds of special assessments 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. Compensated absences will be paid from the funds from which the employees' salaries are paid.

During 2009, the City entered into an agreement with Ohio Public Works Commission (OPWC) for a loan in the amount of $143,714, payable in semi-annual payments of $3,593 at zero percent interest for 20 years. The amounts are included in the amortization table above. This loan will repaid back from income tax monies.

Note 15: Lease Obligations

The City entered into leases for certain equipment and office space. These leases do not meet the criteria of a capital lease in accordance with the "Leases" topic of Finance Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

The following is a schedule of the future minimum lease payments required under operating leases at year-end:

Year		Governmental Activities
2017	$	361,689
2018		366,412
2019		85,019
2020		7,979
2021		7,563
Thereafter		499
Total minimum lease payments	$	829,161

Rental expense related to operating leases for office space and equipment totaled $352,827 for governmental funds for the year ended December 31, 2016.

Note 16: Defined Benefit Pension Plans

A. Net Pension Liability

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

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

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

Note 16: Defined Benefit Pension Plans (continued)

A. Net Pension Liability (continued)

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

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

B. Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

The traditional plan is a defined benefit plan in which a member's retirement benefits are calculated on a formula that considers years of service and FAS. Pension benefits are funded by both member and employer contributions and investment earnings on those contributions.

Note 16: Defined Benefit Pension Plans (continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

The following table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the traditional plan (see OPERS CAFR referenced above for additional information):

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

When a benefit recipient retiring under the traditional plan 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% 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%. Additionally, a death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a decreased retiree or disability benefit recipient under the traditional plan.

The combined plan is a defined benefit plan with elements of a defined contribution plan. Members earn a formula benefit similar to, but at a factor less than the traditional plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement, the member may choose a defined contribution distribution that is equal to the member’s contributions to the plan and investment earnings (or losses). Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

Benefits in the combined plan consist of both an age-and-service formula benefit (the defined benefit element) and a defined contribution element. Eligibility regarding age and years of service in the combined plan is the same as the traditional plan. The subsequent table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the combined plan (see OPERS CAFR referenced above for additional information):

Note 16: Defined Benefit Pension Plans (continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

Group A Group B	**Group C**	
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Formula:** 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Formula:** 1.0% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Members retiring under the combined plan receive a 3% COLA on the defined benefit portion of their benefit. 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% 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%. Additionally, a death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a decreased retiree or disability benefit recipient under the traditional plan.

The member-directed plan is a defined contribution plan in which members self-direct the investment of both member and employer contributions. The distribution upon retirement is equal to the sum of member and vested employer contributions plus investment earnings (or losses). Employer contributions and associated investment earnings vest over a five-year period at a rate of 20% per year. Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

Note 16: Defined Benefit Pension Plans (continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

The City's 2016 contribution rate was 14 percent of earnable salary. In fiscal year 2016, the City's contractually required contribution for pension was $1,184,221. Of this amount, $167,236 is reported as intergovernmental payable at December 31, 2016.

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

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

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

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

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

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

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

Note 16: Defined Benefit Pension Plans (continued)

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

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

	Police
2016 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee:	
January 1, 2016 through December 31, 2016	12.25 %
2016 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50 %
Total Employer	19.50 %
Employee:	
January 1, 2016 through December 31, 2016	12.25 %

The City's 2016 contribution rate was 19.5 percent of earnable salary. In fiscal year 2016, the City's contractually required contribution for pension was $433,048. Of this amount, $52,870 is reported as intergovernmental payable at December 31, 2016.

Note 16: Defined Benefit Pension Plans (continued)

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

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional	OPERS Combined	OP&F	Total
Proportion of the net pension liability (asset) prior measurement date	0.074007%	0.166437%	0.102264%	
Proportion of the net pension liability (asset) current measurement date	0.076305%	0.166580%	0.099193%	
Change in Proportionate Share	0.002298%	0.000143%	(0.003070%)	
Proportionate share of the net pension liability (asset)	$ 13,217,039	$ (81,062)	$ 6,381,155	$ 19,517,132
Pension expense	$ 1,936,902	$ 42,560	$ 843,891	$ 2,823,353

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional	OPERS Combined	OP&F	Total
Deferred outflow of resources				
City contributions subsequent to the measurement date	$ 1,124,025	$ 60,196	$ 433,048	$ 1,617,269
Differences in employer contributions and change in proportionate share	172,947	-	-	172,947
Net difference between projected and actual earnings on pension plan investments	3,884,969	34,999	1,038,609	4,958,577
Total deferred outflow of resources	$ 5,181,941	$ 95,195	$ 1,471,657	$ 6,748,793
Deferred inflow of resources				
Differences in employer contributions and change in proportionate share	$ -	$ 1,532	$ 129,461	$ 130,993
Net difference between projected and actual earnings on pension plan investments	255,379	36,989	17,918	310,286
Total deferred inflow of resources	$ 255,379	$ 38,521	$ 147,379	$ 441,279

Note 16: Defined Benefit Pension Plans (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The $1,617,269 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional	OPERS Combined	OP&F	Total
Fiscal Year Ending December 31:				
2017	929,479	4,136	245,098	1,178,713
2018	991,599	4,136	245,098	1,240,833
2019	1,002,290	4,136	245,098	1,251,524
2020	879,169	3,160	189,729	1,072,058
2021	-	(4,858)	(28,396)	(33,254)
2022-2026	-	(14,232)	(5,397)	(19,629)
	$ 3,802,537	$ (3,522)	$ 891,230	$ 4,690,245

E. Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The active member population which consists of members in the traditional and combined plans is assumed to remain constant. For purposes of financing the unfunded actuarial accrued liabilities, total payroll is assumed to grow at the wage inflation rate indicated below.

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	OPERS Traditional Plan	OPERS Combined Plan
Experience Study	5-year period ended December 31, 2010	5-year period ended December 31, 2010
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	8%	8%
Wage Inflation	3.75%	3.75%
Future Salary Increases, including 3.75% inflation	4.25 to 10.05%	4.25 to 8.05%
COLA	3% Simple	3% Simple

Note 16: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% 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% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

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 401(k) 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 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, net of investment expenses, 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 0.40% for 2015.

The allocation of investment assets with the defined benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 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	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	18.00	4.59
Total	100.00	5.27%

Note 16: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

Discount Rate The discount rate used to measure the total pension liability was 8%. 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, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (7%)	Discount Rate (8%)	1% Increase (9%)
City's proportionate share of the net pension liability – Traditional	$ 21,057,891	$ 13,217,039	$ 6,603,435
City's proportionate share of the net pension liability (asset) – Combined	$ (1,666)	$ (81,062)	$ (144,925)

Changes between Measurement Date and Report Date In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

F. Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, 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, 2015, are presented below:

Note 16: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

Actuarial cost method	Entry age normal
Investment rate of return	8.25%
Projected salary increases	4.25% - 11.00%
Payroll increases	3.75%
Inflation assumptions	3.25%
Cost of living adjustments	2.60% and 3.00% simple

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2015 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	0.00%
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	120.00%	

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

Note 16: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

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

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

	1% Decrease (7.25%)	Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	$ 8,415,889	$ 6,381,155	$ 4,657,535

Note 17: Post-Employment Benefits

A. Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The traditional pension plan – a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan – a defined contribution plan; and the combined plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the member-directed plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

Note 17: Post-Employment Benefits (continued)

A. Ohio Public Employees Retirement System (continued)

In order to qualify for health care coverage, age-and-service retirees under the traditional pension and combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2016 was 4.0%.

The City's contributions for health care for the years ended December 31, 2016, 2015, and 2014 were \$211,137, \$202,064, and \$192,972, respectively. The full amount has been contributed for 2015 and 2014. For 2016, 92.05 percent has been contributed, with the remainder being reported as a liability in the accrued wages and benefits.

B. Ohio Police and Fire Pension Fund

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

Note 17: Post-Employment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits 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 for the Plan. That report may be obtained by writing to OP&F, 140 E. Town St., Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5% of covered payroll from January 1, 2016 through December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees 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 police contributions to OP&F allocated to the health care plan for the years ended December 31, 2016, 2015, and 2014 were $11,439, $11,301, and $87,895, respectively. The full amount has been contributed for 2015 and 2014. For 2016, 92.1 percent has been contributed, with the remainder being reported as a liability in the accrued wages and benefits.

Note 18: Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Full-time employees earn and accumulate varying hours of vacation per year, depending upon length of service. Maximum vacation accumulations range from 240 to 360 hours, depending upon length of service. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at the rate of 10 hours per each month of service. Sick leave may be accumulated to a maximum of 1,440 hours. After the maximum accumulation of 1,440 hours, each employee must elect, in writing each year, one of the following options for sick leave time accumulated in excess of the 1,440 hours:

1. In 40 sick leave hour increments, to have that time converted to vacation at the ratio of 40 hours of sick leave to eight hours of vacation; or

2. To be paid for the excess 40 hours accumulated at the employee's current rate of pay. This may be paid only once each year and no further sick leave will be accumulated during that year, unless the total number of hours accumulated is less than 1,440 hours.

Upon resignation, retirement or death, an employee with 10 or more years of service with the City is eligible for a severance payment for his/her accumulated but unused sick leave, but the maximum payment shall not exceed 1,440 hours. Such payment shall be based on the employee's rate of pay at the time of resignation, retirement or death. Individuals who were regular full-time employees as of December 31, 2000, accrue sick leave at a one-for-one cash-out rate up to the next 500, 1,000, or 1,440 hour level – based on their respective aggregate sick leave levels at December 31, 2000. All remaining sick leave hours will be accrued subject to one-for-three cash-out rate, up to an aggregate maximum of 1,440 hours. Employees who dip below their maximum one-for-one cash-out levels can replenish those one-for-one levels with earned sick leave. All regular full-time employees hired after January 1, 2001, will accrue all sick leave up to a maximum of 1,440 hours subject to a one-for-three cash-out rate.

As of December 31, 2016, the total liability for unpaid compensated absences, included matured compensated absences, was $3,298,201.

Note 19: Contingencies

A. Grants

The City has 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 is 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, 2016.

Note 19: Contingencies (continued)

B. Litigation

Claims and lawsuits are pending against the City. The amount of liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material effect on the overall financial position of the City at December 31, 2016.

Note 20: Interfund Transactions

Interfund receivable/payable for the year ended December 31, 2016, consisted of the following:

	Receivable		
	General Fund	Internal Service Funds	Total
Payable:			
General Fund	$ -	$ 6,879	$ 6,879
Street Construction	-	7,373	7,373
Street Sidewalk Construction	155,000	-	155,000
Broadband Capital Fund	2,100,000	-	2,100,000
Nonmajor Governmental	514,791	12,174	526,965
Water Fund	-	4,579	4,579
Electric Fund	91,261	5,091	96,352
Storm Water Fund	80,350	-	80,350
Other Enterprise Fund	599,108	493	599,601
Total	$ 3,540,510	$ 36,589	$ 3,577,099

The amount owed by the General Fund to the Internal Service Fund is for funds not yet transferred between funds for payments made by the Internal Service Fund.

Of the amounts above, the payable below are in the form of internal debt owed to the General Fund:

Broadband Capital Fund	$ 2,100,000
Nonmajor Governmental	172,791
Total	$ 2,272,791

This internal debt noted above matures July 21, 2017 and carries an interest rate of 0.50 percent.

Long-term interfund loans are classified as "Advances to/from other funds" and consist of the following at December 31, 2016:

Receivable Fund	Payable Fund	Amount
General Fund	Wastewater	$ 100,000

Note 20: Interfund Transactions (continued)

As of December 31, 2016, interfund transfers were as follows:

	Transfers – out			
	General	Street Sidewalk Construction	Nonmajor Governmental	Total
Transfers - in:				
Street Construction	$ 2,200,000	$ -	$ -	$ 2,200,000
Street Sidewalk Construction	2,706,000	-	-	2,706,000
Nonmajor governmental	2,355,511	-	200,000	2,555,511
Wastewater	115,000	-	-	115,000
Storm Sewer	1,964,996	-	-	1,964,996
Other enterprise	30,000	-	-	30,000
Total	$ 9,371,507	$ -	$ 200,000	$ 9,571,507

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. There was one transfer from the nonmajor governmental funds. The transfer from nonmajor governmental funds for $200,000 was a transfer from the Fire District Special Revenue Fund to the Fire Capital Replacement Capital Projects Fund, which was proper in accordance with Ohio Revised Code (ORC) 5705.13(C).

Note 21: Joint Venture

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

The City of Hudson is a Financing Participant with an ownership percentage of 5.69%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Note 21: Joint Venture (continued)

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) (continued)

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2016, Hudson has met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued $153,415,000 and $13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of $56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates (BIRC) in the amount of $116,910,000, which resulted in a savings to the membership of $34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was $65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates (the "2016 Certificates") in the amount of $49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to $49,243,377 at the time of refunding as compared to its value at December 31, 2016 of $49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's Electric Fund (an Enterprise Fund). The City's net investment to date in OMEGA JV5 was $170,011 at December 31, 2016. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Note 21: Joint Venture (continued)

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) (continued)

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share was 6,000 kilowatts of a total 771,281 kilowatts, giving the City a 0.78 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The City's estimated share at March 31, 2014 of the impaired costs was $1,038,626. The City received a credit of $378,804 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of $271,349 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of $388,473. Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its Electric Enterprise Fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City's liability. These amounts will be recorded as they become estimable. Since March 31, 2014 the City has made payments of $400,137 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the City's allocation of additional costs incurred by the project is $10,453 and interest expense incurred on AMP's line-of-credit of $3,662, resulting in a net impaired cost estimate at December 31, 2016 of $2,451.

The City intends to recover these costs and repay AMP over the next year through a power cost adjustment, thus this incurred cost has been capitalized and reported as a regulated asset, as allowed by GASB Codification Re10.

Note 22: Shared Risk Pool

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of various cities. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered Self-Insurance Fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a Board of Trustees that consists of the mayor from each of the participating members.

Note 22: Shared Risk Pool (continued)

Each entity must remain a member for at least three years from their commencement date. After the initial three years, each City may extend its term in three-year increments. Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first $2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of $100,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop-loss coverage carried by the pool. Any losses over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2016, the City paid $159,929 for premiums. Financial information can be obtained by contacting the Fiscal Agent: City of University Heights, attention Larry Heiser, 2300 Warrensville Road, University Heights, OH 44118.

Note 23: Accountability

There were deficits in the following capital projects funds: Downtown Phase II Fund of $175,523, Police Station Acquisitions Fund of $25,000 and the Broadband Capital Fund of $1,862,900. There was a deficit in in the Community and Economic Development Fund – Hudson Cable 25 – of $59,538. There was a deficit in the Proprietary Fund – Wastewater – of $1,240,667. These deficits were caused by the application of accounting principles generally accepted in the United States of America to these funds. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Note 24: Significant Commitments

A. Contracts

The City has the following outstanding contractual commitments for various construction projects at December 31, 2016:

Contractor	Contract and Contingency	Amount Paid	Amount Remaining
Black Horse Bride Construction, Inc.	$ 332,048	$ 330,848	$ 1,200
Acoustic Technology, Inc.	139,787	-	139,787
Mr. Excavator	3,234,188	963,550	2,270,638
Ray Bertolini Trucking	178,538	126,842	51,696
United Earthworks, LLC	417,168	-	417,168
Lockhart Construction Company	30,115	17,615	12,500
Ronyak Paving, Inc.	2,558,858	2,135,522	423,336

Note 24: Significant Commitments (continued)

B. Encumbrances

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

Governmental funds:		
General	$	336,457
Street Construction		49,955
Street Sidewalk Construction		2,161,910
Nonmajor Governmental		1,345,387
Total governmental	$	3,893,709

Note 25: Tax Abatement Disclosures

As of December 31, 2016, the City provides tax incentives under two programs: The Community Reinvestment Area (CRA) and the Job Creation Grant Program.

Real Estate tax abatements

Pursuant to Ohio Revised Code Chapter 3735, the City established a Community Reinvestment area, which included all land within the boundaries of the City. The authorizes incentives through passage of public ordinances, based upon each businesses investment criteria, and through a contractual application process with each business, including proof that the improvement have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand business located in the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements. During 2016, The City had one CRA outstanding with total abated property taxes of $106,957. The City's share of the abated taxes for 2016 was $10,107.

Income tax abatement programs

The City created the Job Creation Grant Program. The purpose of the program is to maintain the City's competitiveness as a site for location of new businesses and the expansion of existing businesses. Pursuant to Article XVIII, Section 3 and Article VIII, Section 13 of the Ohio Constitution (Resolution #05-39), the City provides an incentive to the company based upon the company's gross annual payroll, the amount of income tax generated annually and the number of jobs created or retained by the business. The abatement is administered as a refund based upon the company's payroll taxes. Also, the time period of the incentive in years, is determined by how many new jobs are to be created by the company. The total amount of taxes abated under this program for the year ended December 31, 2016 was $97,452.

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employee Retirement System – Traditional Plan

For the Last Three Years

	2016(1)	2015(1)	2014(1)
City's proportion of the net pension liability	0.076305%	0.074007%	0.074007%
City's proportionate share of the net pension liability	$ 13,217,039	$ 8,926,071	$ 8,724,461
City's covered payroll	$ 9,408,900	$ 9,174,175	$ 8,946,448
City's proportionate share of the net pension liability as a percentage of its covered payroll	140.47%	97.30%	97.52%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. An additional column will be added each year. Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Asset
Ohio Public Employee Retirement System – Combined Plan

For the Last Three Years

	2016(1)	2015(1)	2014(1)
City's proportion of the net pension asset	0.166580%	0.166437%	0.166437%
City's proportionate share of the net pension asset	$ 81,062	$ 64,084	$ 17,465
City's covered payroll	$ 597,167	$ 585,375	$ 570,840
City's proportionate share of the net pension asset as a percentage of its covered payroll	13.57%	10.95%	3.06%
Plan fiduciary net position as a percentage of the total pension asset	116.90%	114.83%	n/a

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. An additional column will be added each year. Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund

For the Last Three Years

	2016(1)	2015(1)	2014(1)
City's proportion of the net pension liability	0.099193%	0.102264%	0.102264%
City's proportionate share of the net pension liability	$ 6,381,155	$ 5,297,686	$ 4,980,563
City's covered payroll	$ 2,228,026	$ 2,371,831	$ 2,162,499
City's proportionate share of the net pension liability as a percentage of its covered payroll	286.40%	223.36%	230.32%
Plan fiduciary net position as a percentage of the total pension liability	66.77%	71.71%	73.00

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. An additional column will be added each year. Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City Contributions
Ohio Public Employee Retirement System – Traditional Plan

For the Last Ten Years

	2016	2015	2014	2013	2012
Contractually-required contribution	$ 1,124,025	$ 1,129,068	$ 1,100,901	$ 1,163,038	$ 903,521
Contributions in relation to the contractually-required contribution	(1,124,025)	(1,129,068)	(1,100,901)	(1,163,038)	(903,521)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 9,366,862	$ 9,408,900	$ 9,174,175	$ 8,946,448	$ 9,035,205
Contributions as a percentage of covered payroll	12.00%	12.00%	12.00%	13.00%	10.00%

	2011	2010	2009	2008	2007
Contractually-required contribution	$ 907,499	$ 823,073	$ 712,621	$ 597,171	$ 666,526
Contributions in relation to the contractually-required contribution	(907,499)	(823,073)	(712,621)	(597,171)	(666,526)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 9,074,992	$ 9,145,257	$ 8,383,782	$ 8,531,017	$ 7,982,348
Contributions as a percentage of covered payroll	10.00%	9.00%	8.50%	7.00%	8.35%

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City Contributions
Ohio Public Employee Retirement System – Combined Plan

For the Last Ten Years

	2016	2015	2014	2013	2012
Contractually-required contribution	$ 60,196	$ 71,660	$ 70,245	$ 74,209	$ 57,650
Contributions in relation to the contractually-required contribution	(60,196)	(71,660)	(70,245)	(74,209)	(57,650)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 501,613	$ 597,167	$ 585,375	$ 570,840	$ 576,504
Contributions as a percentage of covered payroll	12.00%	12.00%	12.00%	13.00%	10.00%

	2011	2010	2009	2008	2007
Contractually-required contribution	$ 57,904	$ 52,517	$ 45,470	$ 38,103	$ 42,529
Contributions in relation to the contractually-required contribution	(57,904)	(52,517)	(45,470)	(38,103)	(42,529)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 579,042	$ 583,526	$ 534,939	$ 544,333	$ 509,325
Contributions as a percentage of covered payroll	10.00%	9.00%	8.50%	7.00%	8.35%

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City Contributions
Ohio Police and Fire Pension Fund - Police

For the Last Ten Years

	2016	2015	2014	2013	2012
Contractually-required contribution	$ 433,048	$ 423,325	$ 450,648	$ 343,477	$ 279,529
Contributions in relation to the contractually-required contribution	(433,048)	(423,325)	(450,648)	(343,477)	(279,529)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 2,279,200	$ 2,228,026	$ 2,371,831	$ 2,162,499	$ 2,192,384
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	15.88%	12.75%

	2011	2010	2009	2008	2007
Contractually-required contribution	$ 279,658	$ 279,646	$ 266,707	$ 223,182	$ 182,394
Contributions in relation to the contractually-required contribution	(279,658)	(279,646)	(266,707)	(16,954)	(182,394)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 2,193,396	$ 2,193,302	$ 2,091,820	$ 1,750,447	$ 1,430,541
Contributions as a percentage of covered payroll	12.75%	12.75%	12.75%	12.75%	12.75%

This page intentionally left blank.

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

Members of the City Council
City of Hudson, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hudson, Ohio (the "City"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2017.

Internal Control over Financial Reporting

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

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

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

Members of the City Council
City of Hudson, Ohio

Compliance and Other Matters

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

Purpose of this Report

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

Ciuni + Panichi, Inc.

Cleveland, Ohio
June 30, 2017

Ciuni & Panichi
CPAs and Business Advisors
Where Relationships Count.

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

Members of the City Council
City of Hudson, Ohio

Report on Compliance for Each Major Federal Program

We have audited the City of Hudson, Ohio's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2016. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

C&P Advisors, LLC
Ciuni & Panichi, Inc.
C&P Wealth Management, LLC

25201 Chagrin Boulevard
Cleveland, Ohio 44122.5683
p. 216.831.7171
f. 216.831.3020
www.cp-advisors.com
Independent Member of
Geneva Group International

Members of the City Council
City of Hudson, Ohio

Opinion on Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control over Compliance

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

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

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

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

Members of the City Council
City of Hudson, Ohio

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated, June 30, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Ciuni + Panichi, Inc.

Cleveland, Ohio
June 30, 2017

This page intentionally left blank.

City of Hudson, Ohio

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor Program Title	Catalog of Federal Domestic Assistance No.	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Transportation:			
Passed through Ohio Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	93820	$ 172,419
Highway Planning and Construction	20.205	91974	600,000
Total Highway Planning and Construction Cluster			772,419
Total U.S. Department of Transportation			772,419
U.S. Environmental Protection Agency:			
Passed through Northeast Ohio Four County Regional Planning Organization			
Brownfield Assessment and Cleanup Cooperative Agreements	66.818		44,000
Total U.S. Environmental Protection Agency			44,000
Total Federal Expenditures			$ 816,419

The accompanying notes are an integral part of this schedule

City of Hudson, Ohio

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

Note 1: Basis of Presentation

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

Note 2: Indirect Cost Rate

The City did not use the 10% de minimis indirect cost rate and did not charge indirect costs to the Highway Planning and Construction Cluster.

City of Hudson, Ohio

Schedule of Findings and Questioned Costs
2 Code of Federal Regulations Section 200.515

For the Year Ended December 31, 2016

1. Summary of Auditor's Results

(d)(I)(I)	Type of Financial Statement Opinion	Unmodified
(d)(I)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
(d)(I)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(I)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(I)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(I)(vi)	Are there any reportable findings under Section .510?	No
(d)(I)(vii)	Major Program	Highway Planning and Construction Cluster: CFDA # 20.205, Highway Planning and Construction
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >$750,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	No

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

None noted.

3. Findings for Federal Awards

None noted.

This page intentionally left blank.

Dave Yost • Auditor of State

CITY OF HUDSON

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 24, 2017

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov