

City of Middleburg Heights
Cuyahoga County, Ohio

*Report Issued Pursuant to Government Auditing
Standards*

For the Year Ended
December 31, 2016



Dave Yost • Auditor of State

City Council
City of Middleburg Heights
15700 Bagley Road
Middleburg Heights, Ohio 44130

We have reviewed the *Independent Auditor's Report* of the City of Middleburg Heights, Cuyahoga County, prepared by Rea & Associates, 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 Middleburg Heights is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

August 31, 2017

This page intentionally left blank.

CITY OF MIDDLEBURG HEIGHTS

CUYAHOGA COUNTY, OHIO

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	1

This page intentionally left blank.

June 12, 2017

To City Council and Management
City of Middleburg Heights
15700 Bagley Road
Middleburg Heights, OH 44130

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*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Middleburg Heights, Cuyahoga County, 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 a report thereon dated June 12, 2017, wherein we noted the City restated the net position to account for the inclusion of engineering costs that were not fully allocated to the capitalized streets.

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.

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.

Rea & Associates, Inc.

Medina, Ohio

THE CITY OF
**MIDDLEBURG
HEIGHTS,
OHIO**



COMPREHENSIVE
ANNUAL FINANCIAL

For the year ended December 31, 2016

REPORT



(THIS PAGE INTENTIONALLY LEFT BLANK)

City Of Middleburg Heights, Ohio



Comprehensive Annual Financial Report

For The Year Ended December 31, 2016

Issued By The Department of Finance

Jason Stewart, CPA
Director

Nicholas Vitalone, CPA
Assistant Director

(THIS PAGE INTENTIONALLY LEFT BLANK)

Introductory Section



(THIS PAGE INTENTIONALLY LEFT BLANK)

City of Middleburg Heights, Ohio
Comprehensive Financial Annual Report
For the Year Ended December 31, 2016
Table of Contents

I. Introductory Section

Title Page.....	i
Table of Contents.....	ii
Transmittal Letter.....	v
GFOA Certificate of Achievement.....	x
Listing of Principal City Officials-Elected and Appointed Officials...	xi
Listing of Principal City Officials-Special Boards and Commissions..	xii
Organizational Chart.....	xiii

II. Financial Section

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet-Governmental Funds.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP Basis) and Actual:	
General Fund.....	22
Recreation Fund.....	23
Statement of Fund Net Position-Proprietary Fund.....	24
Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Fund.....	25
Statement of Cash Flows-Proprietary Fund.....	26
Statement of Fiduciary Assets & Liabilities-Agency Funds.....	27
Notes to the Basic Financial Statements.....	28
Required Supplemental Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability – OPERS and OP&F Systems – Last Three Fiscal Years	63
Schedule of City Contributions OPERS and OP&F Retirement Systems - Last Ten Fiscal Years	64

City of Middleburg Heights, Ohio
Comprehensive Financial Annual Report
For the Year Ended December 31, 2016
Table of Contents

Combining Statements and Individual Fund Schedules:	
Combining Statements Non-major Governmental Funds:	
Fund Descriptions.....	66
Combining Balance Sheet-Nonmajor Governmental Funds.....	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Governmental Funds..	68
Combining Balance Sheet-Nonmajor Special Revenue Funds...	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Special Revenue Funds	71
Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP Basis) and Actual:	
Major Funds:	
General Fund.....	74
Recreation Fund.....	78
Bond Retirement Fund.....	79
Capital Improvements Fund.....	80
Street Infrastructure Improvement Fund.....	81
Bagley/Fry Roadway Fund.....	82
Non-major Funds:	
Street Construction Fund.....	83
State Highway Fund.....	84
Clerk of Courts Computer Fund.....	85
Law Enforcement Fund.....	86
Medical Transport Fund.....	87
Police Pension Fund.....	88
Fire Pension Fund.....	89
Tree Planting Fund.....	90
Veteran’s Memorial Fund.....	91
Southwest General Hospital Fund.....	92
Health Insurance Fund.....	93
Combining Statements-Agency Funds:	
Fund Descriptions.....	94
Combining Statement of Changes in Assets and Liabilities-Agency Funds.....	95

III. Statistical Section

Table of Contents	96
Net Position by Component-Last Ten Years.....	97
Changes in Net Position-Last Ten Years.....	98
Fund Balances, Governmental Funds- Last Ten Years.....	100

City of Middleburg Heights, Ohio
Comprehensive Financial Annual Report
For the Year Ended December 31, 2016
Table of Contents

Changes in Fund Balances, Governmental	
Funds-Last Ten Years.....	102
Tax Revenues by Source, Governmental Funds-Last Ten Years.....	104
Income Tax Revenue Base and Collections-Last Ten Years.....	105
Principal Taxpayers-Current and Nine Years Ago.....	106
Property Tax Rates-All Direct and Overlapping Governments- Last Ten Years.....	107
Assessed and Estimated Actual Value of Taxable Property- Last Ten Years.....	108
Property Tax Levies and Collections-Real and Public Utility Taxes-Last Ten Years.....	109
Ratios of General Bonded Debt and Legal Debt Margins- Last Ten Years.....	110
Computation of Direct and Overlapping Debt.....	112
Demographic and Economic Statistics-Last Ten Years.....	113
Principal Employers-Current and Nine Years Ago.....	114
Full-time City Employees by Function/Program-Last Ten Years.....	115
Operating Indicators by Function/Program-Last Ten Years.....	116
Capital Asset Statistics by Function/Program-Last Ten Years.....	118

(THIS PAGE INTENTIONALLY LEFT BLANK)

Finance Department
CITY OF MIDDLEBURG HEIGHTS

15700 Bagley Road • Middleburg Heights, Ohio 44130-4832
440/234-8989 • Fax: 234/4934 • E-mail: finance@middleburgheights.com



Gary W. Starr
Mayor

Jason Stewart, CPA
Director of Finance

June 12, 2017

Honorable Mayor Gary Starr,
Members of City Council
and the Citizens of Middleburg Heights, Ohio

Ohio law (Ohio Administrative Code Section 117-2-03(B)) requires that all cities file annual unaudited financial reports prepared on a GAAP (Generally Accepted Accounting Principles) basis with the Auditor of State within five months of the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended December 31, 2016.

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

Rea & Associates, Inc has issued an unmodified opinion on the City of Middleburg Heights' financial statements for the year ended December 31, 2016. The Independent Auditor's Report is located at the front of the financial section of this report.

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

The basic financial statements and notes provide an overview of the City's financial position and operating results. The Combining Statements for non-major funds and other schedules that follow the basic financial statements provide more detailed information about the City's financial condition.

PROFILE OF THE GOVERNMENT

Basic Information: The City of Middleburg Heights is approximately eight square miles and is located in northeastern Ohio, southwest of Cleveland, within the boundaries of Cuyahoga County. The City's population from the 2010 federal census was 15,946. The City was first established as a village in 1927 and was incorporated as a City in 1961 under the laws of the State of Ohio.

The City operates under and is governed by its Charter, which was first adopted by the voters in 1961. The Charter has been and may be amended by the voters from time to time. The City is also subject to some general laws applicable to all Ohio cities. Under the State Constitution, the City may exercise all powers of local self-government and police powers to the extent not in conflict with applicable general laws. The Charter provides for a Mayor-Council form of government.

Legislative authority is vested in a seven-member council. Three members are elected at-large, and four members are elected from wards, for two-year terms. The Council fixes compensation of City officials and employees and enacts ordinances and resolutions relating to City services, tax levies, appropriations, borrowing money, licensing and regulating businesses and trades, and other municipal purposes. The presiding officer is the President of Council, who is elected at large by the electors for a two-year term. The Charter establishes certain administrative departments, and the Council may establish divisions within these departments and additional departments.

The City's chief executive and administrative officer is the Mayor, who is elected by the voters specifically to that office for a four-year term.

The Mayor appoints, subject to the approval of a majority of the members of Council, the Directors of the City's departments. The major appointed officials are the Directors of Finance, Law, Public Service, Recreation, Economic Development and Public Safety. The Mayor also appoints members to a number of boards and commissions, and appoints and removes in accordance with civil service requirements, all appointed officers and employees, except Council officers and employees.

The Mayor may veto any legislation passed by the Council. A veto may be overridden by a two-thirds vote of all members of the Council.

All elected officials, except the Mayor, serve part-time.

Reporting Entity: The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. This definition of the reporting entity is found in GASB Statement No. 61, "The Financial Reporting Entity."

The City of Middleburg Heights primary government consists of all funds and departments, which are not legally separate from the City. They include a police force, a fire fighting and emergency medical transport force, a service department, a building/housing department, a recreation department, and a staff to provide essential support to these service providers.

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

As discussed in the notes, the City participates in several jointly governed organizations, including the Southwest General Health Center, the Woodvale Union Cemetery, the Southwest Council of Governments, the Northeast Ohio Public Energy Council, and the Suburban Water Regional Council of Governments. Note 21 describes the City's relationship to these entities.

Budget Process: Although City Council is required to adopt a temporary budget by no later than the close of the fiscal year, and a final budget within 90 days of the new year; the final operating budget has been prepared and adopted by the close of the fiscal year for the last 29 years. The Capital Budget is customarily passed within 90 days of the start of the new year. This annual budget serves as the foundation for the City of Middleburg Heights' financial planning and control. The budget is prepared by fund, department, (e.g. police) and major category. The major categories used are: "Wages and Fringe Benefits" and "Other". Department heads may transfer resources within a major category as needed and approved by the Mayor and Director of Finance. Transfers between major categories, however, need re-appropriation from City Council.

ECONOMIC CONDITION AND OUTLOOK

Location is one of the greatest assets of the City of Middleburg Heights. Our proximity to Cleveland Hopkins Airport and easy access to three interstate highways has contributed to the economic stability of the City. Despite the recent global economic crisis, the City has been able to sustain a strong commercial business sector. Due to our location, progressive economic incentives, zoning policies and economic development efforts the City has realized the continued creation and retention of jobs in our community. The Department of Economic Development continues its proactive business retention and expansion program in order to better help businesses stay and grow in Middleburg Heights. Since that Department's inception in 2006, the City has been involved in the creation and retention of over 6,900 jobs with an annual estimated payroll of nearly \$206 million.

In particular, the City has seen a significant growth in medical and health related businesses over the last decade. The City has actively promoted what we refer to as our "Medical Corridor" which consists of over 1.4 million square feet of medical and medical office space in the City. The City has significant representation of Northeast Ohio's largest healthcare providers in our City. Southwest General Health Center, in partnership with University Hospitals of Cleveland, has continued as the largest employer in the City of Middleburg Heights. The Metro Health System opened its new ambulatory health center in 2013 to accommodate up to 120,000 patient visits per year. The Cleveland Clinic also has four specialized facilities in Middleburg Heights; they include their Children's Hospital Therapy Services Center, Orthopedics Center, Sports Medicine and Therapy Services Center, and their Cardiology Services Center.

The City has experienced significant growth (nearly tripled) in real property valuation over the past 30 years. During that growth we've maintained a fairly balanced real property portfolio of 60% residential and 40% of commercial property values. The City of Middleburg Heights' major industries also include a significant number of freight and package delivery, education, hotel, retail and government employers. Therefore, the City's economic health is not based solely upon the success or failure of a single industry.

This significant growth is further evidence that Middleburg Heights continues to be a desirable venue for local, national and international companies to both locate and expand. There are a number of development projects underway and planned for the near future in the City.

In 2013, the City engaged the services of City Architecture to develop a master plan for the 45 acre site along Interstate 71 and Bagley Road. City Architecture performed a site evaluation and assessment and came up with a number of different development possibilities. By working with the landowners, the City has secured \$500,000 in grant funding for the construction of a new road to facilitate the development of this outstanding development

site. Construction has been completed on the first phase of the new public road. This road provides better access to the property and facilitated Quadax, Inc., expanding to the new location and bringing 200 new jobs into an existing building to accommodate the overall growth of their company at this site. The new road also opens up approximately 22 acres of the site for development in the future.

Construction of a new Home 2 Suites by Hilton has been completed on an approximate three acre site of undeveloped land on Engle Road. The hotel is over 60,000 square feet and will add 111 new guest rooms to the City. The project involved an investment of nearly \$7 million dollars in our City. The hotel opened for new guests in January of 2017.

The construction has begun on a new Residence Inn by Marriott on Bagley Road, just west of Southwest General Hospital. The nearly 90,000 square foot facility will add an additional 112 guest rooms. The plans also include the addition of a 12,000 square foot building to accommodate a retail component to complement the hotel. The project will involve the investment of nearly \$9 million dollars in our City as expected to be completed in early 2018.

Also, Fat Head's Brewery and Restaurant is expanding and will be investing \$12 million dollars in a central brewery on Engle Lake Road, in sight of Interstate 71 near the Bagley Road interchange in Middleburg Heights, that will more than double its brewing capacity. The project includes a packaging operation that will allow the brewery, for the first time, to put its beer in cans, in addition to its current packaging process for bottles and kegs. This new brewing operation will also allow them to expand their distribution territory. The building also will include a 250-seat full-service tap house/restaurant and will create 74 new jobs.

Long Term Financial Planning: In 2013, the City of Middleburg Heights issued \$5.86 million in general obligation bonds to finance a three-year neighborhood streets improvement program. As part of this issuance process, the City had its bond rating reviewed. Moody's Investors Service was quick to confirm the City's Aa1 bond rating, citing our city's stable tax base, solid management, and sound financial position with healthy reserve levels. The City first attained the Aa1 rating in 2010, as part of Moody's recalibration of its' rating system. This was notable as it is the highest bond rating that the City has ever achieved.

The City has implemented a debt management policy. Wherever possible the City of Middleburg Heights acquires its capital improvements by cash purchase. Occasionally though, capital items exceed the cash capacity available and the asset is financed through issuance of debt. Moreover, the City only borrows when there is an identifiable dedicated revenue source to be used to amortize the debt. The City's low debt burden was cited by Moody's Investors Service as one of the factors in awarding the City its outstanding credit rating.

The City utilizes a five-year forecast for its continued operational and capital needs. The forecast looks at the funds that are essential to the operations of the City. These funds are used to provide all of the services offered to our residents, including public safety, highway and street maintenance, parks and recreation, capital improvements, community development, public health and certain social services. The only funds excluded from the forecast are the Law Enforcement Trust Funds, the Court Computer Fund and all Agency Funds. The forecast is a document through which costs are identified and matched to projected funding sources. The plan is updated biannually to reflect changes to operational costs and revenue projections.

Although the City has not adopted a formal minimum fund balance policy, the City's goal is to strive to maintain a minimum 15-20% fund balance reserve amongst all funds. The Finance Department reviews all transactions on an on-going basis and works diligently to monitor revenues and expenditures so that all funds maintain adequate balances.

AWARDS AND ACKNOWLEDGEMENTS

GFOA Certificate of Achievement Award: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Middleburg Heights, Ohio for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2015. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Middleburg Heights has received a Certificate of Achievement for the last twenty-one consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments: The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. I would like to express my appreciation to all staff members who have contributed or assisted in its preparation, in particular my Assistant Finance Director, Nick Vitalone.

In closing, I would like to thank the Mayor and the members of Middleburg Heights City Council, and the citizens of this fine City for their continued support. The collaboration of the aforementioned parties helps ensure the continued financial integrity of the City.

Sincerely,

A handwritten signature in cursive script that reads "Jason Stewart".

Jason Stewart, CPA
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Middleburg Heights
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

City of Middleburg Heights, Ohio

Listing of Principal City Officials

As of December 31, 2016

ELECTED OFFICIALS

Mayor Gary W. Starr
Council President Matthew Castelli
Councilman At-Large David Bortolotto
Councilman At-Large Raymond G. Guttmann
Councilman Ward 1 Bill Meany
Councilman Ward 2 Matthew G. McGregor
Councilman Ward 3 Michael Ference
Councilman Ward 4 John J. Grech

APPOINTED OFFICIALS

Director of Finance Jason Stewart, CPA
Assistant Finance Director Nicholas Vitalone, CPA
Director of Economic Development Charles Bichara
Director of Public Service James P. Herron
Chief Building Official Norman H. Herwerden
Director of Recreation Jeff Minch
Director of Law Peter Hull
Director of Public Safety Sandra J. Kerber
Chief of Police John Maddox
Chief of Fire Briant Galgas
Court Administrator Therese Fairman
Executive Assistant Robert Downey
Clerk of Council Mary Ann Meola

City of Middleburg Heights, Ohio

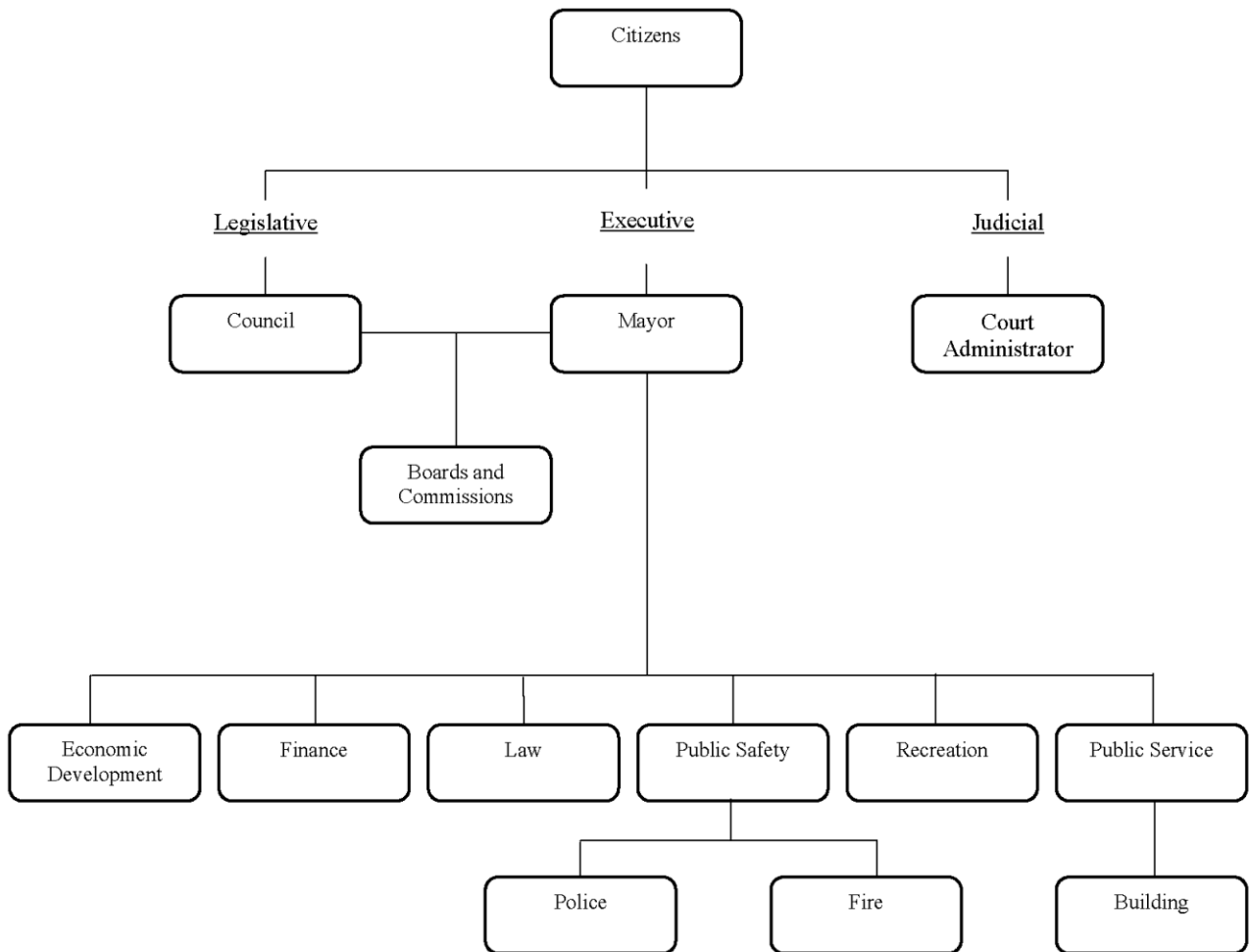
Listing of Principal City Officials

As of December 31, 2016

SPECIAL BOARDS AND COMMISSIONS

Planning Commission	Anthony Crea
Planning Commission	Cori Farris
Planning Commission	Carl Guarnieri
Planning Commission	Eve Sachs
Planning Commission	Bonnie Lesny
Planning Commission	Eric Smearman
Planning Commission	Dan Sage
Board of Zoning and Building Appeals	Philomena Johnson
Board of Zoning and Building Appeals	Christina Elffers
Board of Zoning and Building Appeals	Tom Sullivan
Board of Zoning and Building Appeals	Carol Herman
Board of Zoning and Building Appeals	Mark Thomay
Board of Zoning and Building Appeals (Alternate)	Rick Ridella
Board of Zoning and Building Appeals (Alternate)	Ray Hartman
Civil Service	Tim Miranda
Civil Service	Bernard Benedict
Civil Service	Tony Terrigno
Secretary - Civil Service	Sherri Menoes
Secretary - Boards and Commissions	Kimberly Earley

City of Middleburg Heights, Ohio
Organizational Chart
For the Year Ended December 31, 2016



(THIS PAGE INTENTIONALLY LEFT BLANK)

Financial Section



(THIS PAGE INTENTIONALLY LEFT BLANK)

(THIS PAGE INTENTIONALLY LEFT BLANK)

(THIS PAGE INTENTIONALLY LEFT BLANK)

(THIS PAGE INTENTIONALLY LEFT BLANK)

This page intentionally left blank.

June 12, 2017

To City Council and Management
City of Middleburg Heights
15700 Bagley Road
Middleburg Heights, OH 44130

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights, Cuyahoga County, 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, each major fund, and the aggregate remaining fund information of the City of Middleburg Heights, Cuyahoga County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general and recreation funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 19, the City restated the net position balance to account for the inclusion of engineering costs that were not fully allocated to the capitalized streets and have been revised accordingly. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as Management's Discussion and Analysis and the Schedules of the City's Proportionate Share of the Net Pension Liability, and Schedule of City Contributions on pages 4-15, 63, and 64-65, respectively, 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 combining and individual fund financial statements and schedules and introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 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 City's internal control over financial reporting and compliance.

Hea & Associates, Inc.

Medina, Ohio

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

This discussion and analysis of The City of Middleburg Heights' (the City's) 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; readers should also review the transmittal letter, the basic financial statements, and notes to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- The assets and deferred outflows of resources of the City of Middleburg Heights exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$49,299,762 (*net position*).
- Total Net Position increased by \$2,612,322 which represents a 5.6 percent increase from 2015. Unrestricted net position decreased by \$1,122,503 or 10.16 percent in 2016.
- Total Assets and deferred outflows of the City increased \$9,397,474, which represents an 11.21 percent increase from 2015.
- Total Capital Assets increased by \$3,766,724 or 5.87 percent from 2015.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,193,795 a decrease of \$725,371 or 7.31 percent from 2015. Equity in Pooled Cash and Investments in the governmental funds increased by \$346,653 or 4.43 percent from 2015, as the City's revenues increased approximately 5.43 percent while expenditures were flat.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$7,145,989 or 38.99 percent of total general fund expenditures.
- Total outstanding debt decreased from \$10,108,775 to \$8,577,114. This was a 15.15 percent decrease from the balance at the end of 2015; primarily due to the repayment of bonds issued for the City's Service Center, Community Center and Street Improvements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) Required Supplementary Information. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector businesses. The *statement of net position* and *statement of activities* provides information about the activities of the whole city, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statement also looks at the City's most significant funds with all other nonmajor funds presented in total in one column.

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference between the two reported as *net position*. Over time, increases or decreases in net position *may* serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The governmental activities of the City include general government, security of persons and property, public health services, community development, economic development, streets and highways, culture and recreation, and sanitation.

The government-wide financial statements can be found starting on page 16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Middleburg Heights, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

In 2016, the City of Middleburg Heights maintained 17 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund, Recreation Fund, Bond Retirement Fund, Capital Improvements Fund and Street/Infrastructure Improvement Fund; all of which are considered to be major funds. Data from the other 11 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement (non-GAAP basis) has been provided for each major and nonmajor fund to demonstrate budgetary compliance.

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Proprietary Funds The City of Middleburg Heights maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains one such fund for its self-insurance of employee health benefits. Because this fund only benefits governmental functions, it has been included with the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City's only proprietary fund is an internal service fund for self-insurance of health benefits, which is considered a nonmajor fund. The basic proprietary fund financial statements can be found on pages 24 to 26 of this report.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 27 of this report

Notes to the Basic Financial Statements The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 to 62 of this report.

Required Supplementary Information As a result of implementing GASB 68 and GASB 71, these tables give additional information to support the data reported in the government-wide financial statements. The tables can be found on pages 63 to 65 of this report.

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain other information that the City believes readers will find useful. After the notes to the financial statements, the combining statements referred to earlier in connection with nonmajor governmental are presented, as well as individual detailed budgetary comparisons for all funds. This information can be found on pages 73 to 95 of this report.

Government-Wide Financial Analysis

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How well did the City perform financially during 2016?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The accrual 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 those positions. The change in position is important because 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, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

The Statement of Net Position and the Statement of Activities are divided into the following categories:

- Assets
- Deferred Outflows of Resources
- Liabilities

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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

The City of Middleburg Heights as a Whole

Recall that the Statement of Net Position looks at the City as a whole. The following table provides a summary of the City's net position for 2016 compared to 2015.

Table 1 Net Position

	Governmental Activities	
	2016	<i>Restated</i> 2015
Assets		
Current and Other Assets	\$17,620,558	\$16,585,031
Capital Assets, Net	67,929,504	64,162,780
<i>Total Assets</i>	<u>85,550,062</u>	<u>80,747,811</u>
Deferred Outflows of Resources		
Deferral on Refunding	103,000	154,500
Pension - PERS	3,878,893	1,222,254
Pension - OP&F	3,660,512	1,670,428
<i>Total Deferred Outflows of Resources</i>	<u>7,642,405</u>	<u>3,047,182</u>
Liabilities		
Current Liabilities	3,710,807	1,650,173
Long-term Liabilities		
Due within One Year	3,081,034	3,167,535
Due in More Than One Year	34,165,411	30,117,608
<i>Total Liabilities</i>	<u>40,957,252</u>	<u>34,935,316</u>
Deferred Inflows of Resources		
Property Tax	2,095,486	2,052,038
Pension - PERS	191,511	120,199
Pension - OP&F	648,456	0
<i>Total Deferred Inflows of Resources</i>	<u>2,935,453</u>	<u>2,172,237</u>
Net Position		
Net Investment in Capital Assets	57,262,806	54,208,505
Restricted for:		
Capital Projects	1,456,572	1,818,359
Debt Service	1,148,569	1,293,262
Other Purposes	1,605,793	418,789
Unrestricted (Deficit)	<u>(12,173,978)</u>	<u>(11,051,475)</u>
<i>Total Net Position</i>	<u>\$49,299,762</u>	<u>\$46,687,440</u>

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

As noted earlier, over time net position may serve as a useful indicator of a government's financial position. For the City of Middleburg Heights, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49,299,762 at the close of the most recent fiscal year.

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

Total assets and deferred outflows increased by \$9,397,474 from 2015, while the City's total liabilities and deferred inflows increased by \$6,785,152. As a result, the total net position of the City's governmental activities increased by \$2,612,322. The most significant changes were an increase in non-depreciable capital assets of \$5,366,243 and an increase of \$4,595,223 in deferred outflows. The increase in non-depreciable capital assets can be attributed to the construction in progress related to the Bagley/Pleasant Valley Road widening project. The increase in deferred outflows, deferred outflows and net pension liabilities can be attributed to the difference between the projected and actual investment performance of the Public Employees Retirement System (PERS) and Ohio Police and Fire Pension System (OP&F) that the City participates in related to the GASB 68 implementation. The increase in current liabilities of \$2,060,634 was due to the issuance of bond anticipation notes of \$2,475,000 for the Bagley/Fry Roadway project.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year in comparison to 2015.

Governmental Activities

Table 2 Changes in Net Position

	Governmental Activities 2016	Governmental Activities <i>Restated</i> 2015
	<hr/>	<hr/>
Revenues		
Program Revenues:		
Charges for Services	\$3,039,869	\$3,170,717
Operating Grants and Contributions	841,685	861,227
Capital Grants and Contributions	3,196,889	3,772,688
Total Program Revenues	<hr/> 7,078,443	<hr/> 7,804,632
General Revenues:		
Property Taxes & Other Local Taxes	2,526,397	2,879,693
Income Taxes	20,443,377	18,560,522
Grants and Entitlements	771,867	712,325
Investment Income	60,917	51,625
Miscellaneous	486,840	739,393
Total General Revenues	<hr/> 24,289,398	<hr/> 22,943,558
<i>Total Revenues</i>	<hr/> 31,367,841	<hr/> 30,748,190

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Program Expenses

General Government	8,489,326	8,062,700
Security of Persons and Property:		
Police	5,669,608	5,384,591
Fire	4,669,411	4,432,494
Safety Director	76,087	69,035
Public Health Services	265,118	299,048
Culture and Recreation	3,511,118	3,248,860
Community Development	836,514	765,089
Economic Development	355,895	329,441
Streets and Highways	3,606,091	3,295,961
Sanitation	972,643	974,028
Interest and Fiscal Charges	303,708	351,198
Total Program Expenses	<u>28,755,519</u>	<u>27,212,445</u>
Increase (decrease) in Net Position	<u>\$2,612,322</u>	<u>\$3,535,745</u>

Governmental activities increased the City's net position by \$2,612,322. Discussion of the reasons for the increase in net position are as follows:

Several types of revenues fund our governmental activities, with the City income tax being the biggest contributor. The City's 2% income tax applies to both the residents of the City and non-residents who work within the City. However if residents work in another locality that has a municipal income tax, the City provides 100% credit up to 2% for those who pay income tax to another city. City Council could by ordinance, choose to vary that income tax credit and create additional revenues for the City.

Income tax revenue for 2016 was \$20,443,377, which was an increase of 10.14% increase from 2015. The income tax increase was primarily due to a 12 % increase in receivables at year end. Of the \$31,367,841 in total revenues, income tax accounted for 65.21% of the total. Property and other local taxes were \$2,526,397, a decrease of 12.27% from 2015, and accounted for 8.06% of total revenues. The property tax decrease can be attributed to large increase in charitable exempt property due to the Southwest General Hospital expansion. Operating grants and contributions, capital grants and contributions, general revenues from grants and entitlements account for 15.33% of total revenues, and charges for services, investment income, and other revenue make up the remaining 11.40%. General revenues from grants and entitlements are also revenue generators. The City monitors its sources of revenues very closely for fluctuations.

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

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

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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

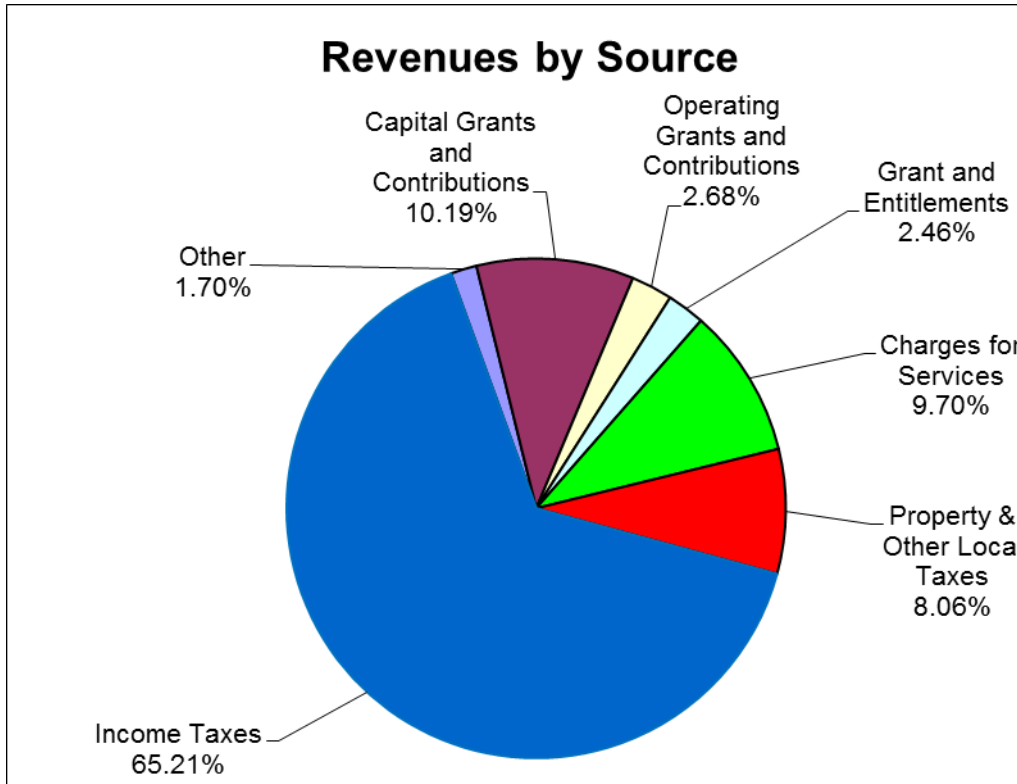
1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

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 *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

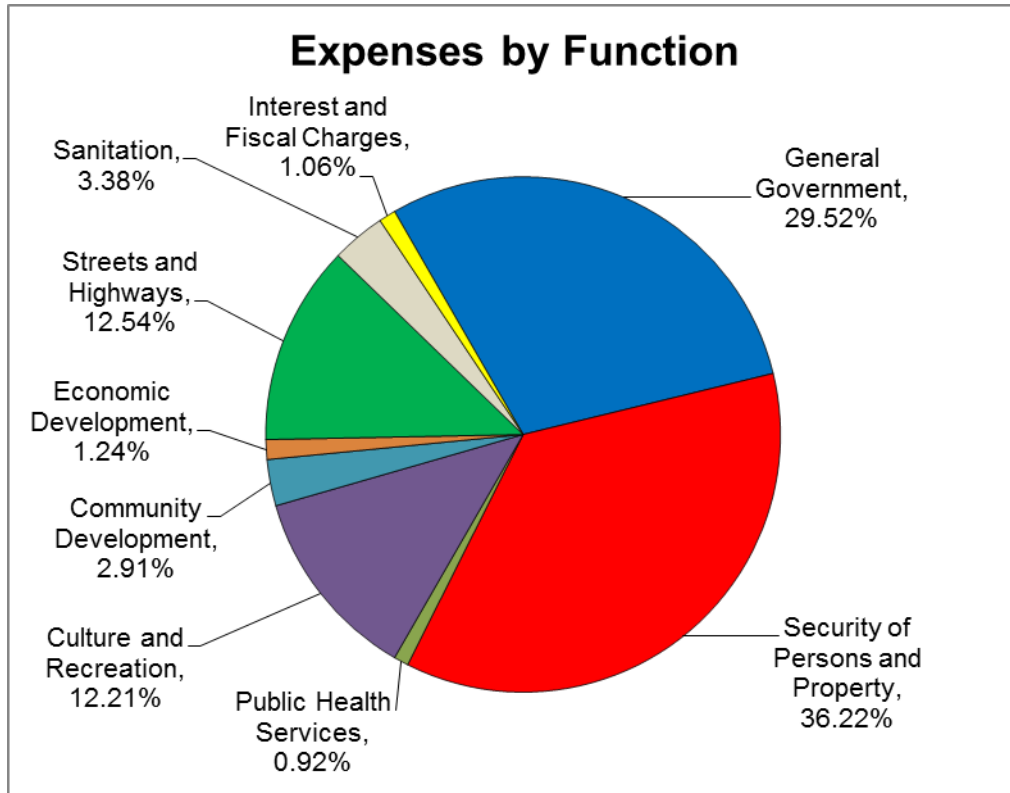


Total program expenses increased by \$1,543,074 or 5.67% as compared to 2015. Expenses related to personal services account for the majority of the increase as a result of 2% pay increases, increases in health benefit and worker's compensation costs.

Total program expenses for 2016 were \$28,755,519. Security of Persons and Property, which included the police and fire departments as well as the City's Safety Director, accounted for program expenses of \$10,415,106, which represents 36.22% of total City expenses for the year 2016. Culture and Recreation expenses of \$3,511,118 accounted for 12.21%. Culture and recreation expenses consist largely of costs to operate the City's Community Center and depreciation expense on the building. Street and highway expenses of \$3,606,091 accounted for 12.54%.

These figures illustrate the City's commitment toward infrastructure maintenance as well as the safety of our citizens. The City takes great pride in the maintenance of its streets and continues to set aside money towards future capital maintenance and repair.

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited



Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Information about the City's governmental funds begins on page 18. These funds are accounted for by using the modified accrual basis of accounting.

As of December 31, 2016, the City's governmental funds reported combined ending fund balances of \$9,193,795, a decrease of \$725,371 in comparison with the prior year. Of that amount, \$4,970,069 constitutes unassigned fund balances, which is available for spending at the government's discretion. The non-spendable fund balances are not easily converted to cash and are comprised of inventory and prepaid expenditures accounted for \$613,419.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance for the General Fund was \$7,719,280 of which \$7,145,989 was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the sum of total fund expenditures and other financing uses of \$19,426,715. Unassigned fund balance represents 36.8% (28.1% in 2015) of total General Fund expenditures and other financing uses, while total fund balance represents 39.7% (31.1% in 2015) of that same amount.

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

During the current fiscal year, the fund balance of the City's General Fund increased by \$1,568,693. The increase can be attributed to an increase of over \$2 million in Income tax revenue in the General Fund. More Income tax dollars were allocated to the General Fund and less in the Capital Funds in 2016. In addition, General Fund expenditures remained flat or decreased across over most City functions.

The balance in the Recreation Fund increased \$158,522. This increase in fund balance can be attributed to current year revenues exceeding expenditures. Efficiencies and cost cutting measures have kept expenditures flat from 2015.

The Bond Retirement Fund increased \$13,242. The allocation of income tax and other resources are covering the debt service requirements of the City.

The Capital Improvements Fund decreased by \$254,187. This was a result of a reduced allocation of income tax dollars to fund capital purchases.

The Street/Infrastructure Improvements Fund decreased by \$129,404. The decrease in fund balance is the result of obtaining a grant of \$150,000 in 2015 with no additional outside funding in 2016.

The Bagley/Fry Roadway Fund was created in 2016 where bond anticipation notes were issued to fund this project. The fund balance is (\$2,175,920). Long term financing will be obtained in the next fiscal year to make this fund whole.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of 2016 the City amended its General Fund budget on various occasions. All recommendations for budget changes come to the Finance Committee of City Council for review before going to the whole Council for Ordinance enactment on the change. The City does allow small interdepartmental budget changes that modify line items within departments within the same fund and within major category, the major categories being "Wages and Fringe Benefits" and "Other". The General Fund supports many of our major activities such as our Police, Fire and Service Departments, as well as administrative, legislative and executive activities. The General Fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, original budgeted revenues were \$19.6 million and final budgeted revenues were \$19.8 million and actual revenues were \$20.6 million. An increase in income tax collections of approximately \$740,000 over the original estimates accounted for the majority of this variance. Property Taxes came in \$81,265 over estimates. The City's ending unencumbered cash balance in the General Fund was \$1,949,323 above the final budgeted amount.

The difference between the General Fund's original budget for expenditures and other uses of \$21,604,341 and the final amended budget of \$21,894,251 was \$289,910 or 1.3%. The largest revision was an increase of \$100,000 for an advance to fund the Bagley/Fry Roadway Project. Actual expenditures and other uses were \$20,751,194 or \$1,143,057, (5.2%) less than the final amended budget. The final budget for wages and fringe benefits was \$15,519,169 of which \$15,106,026 or 97.3% was spent leaving a positive variance of \$413,143. Most of this variance was attributable to the service, police and fire departments. Police officers and firefighters have a contractual right to redeem certain compensated absences for pay, and the city budgets for this as if all eligible employees will exercise their option to sell the maximum number of hours available to sell. If less than the maximum number of hours are sold, then a positive variance results. The final budget for expenditures other than wages and fringe

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

benefits was \$5,175,082, of which \$4,445,168 or 85.9% was actually spent leaving a positive variance of \$729,914. The only significant variance for expenditures, other than wages and fringe benefits, was attributable to the budget for unclaimed funds, which the city budgets for as if all amounts available will be reclaimed.

Capital Assets and Debt Administration

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

	Governmental Activities	
	2016	<i>Restated</i> 2015
Land	\$5,746,011	\$5,471,819
Land Improvements	355,641	337,580
Buildings and Improvements	18,913,894	19,371,952
Machinery and Equipment	3,294,087	3,563,985
Furniture and Fixtures	38,378	33,461
Infrastructure		
Streets	20,901,475	21,592,236
Sidewalks	798,013	823,525
Traffic Signals	1,067,203	1,234,070
Water Mains	2,050,405	2,084,786
Sanitary Sewers	1,955,601	1,992,655
Storm Sewers	3,974,327	3,914,293
Construction in Progress	8,834,469	3,742,418
Total Net Capital Assets	<u>\$67,929,504</u>	<u>\$64,162,780</u>

Total net capital assets of the City as of December 31, 2016 were \$67,929,504. Capital assets are \$3,766,724 greater than in 2016. The increases in the city's capital assets came as a result of the city: a) commencement of the Bagley/Pleasant Valley Road Widening project and b) purchase of vehicles and equipment for the service department and the public safety forces. The City is committed to a long-term goal of not only meeting its infrastructure and facilities needs, but also satisfying those needs in a continued high quality manner. Additional information on the City's capital assets can be found in Note 8 of this report.

Debt

As of December 31, 2016, the City had \$11,541,042 in bonds, capital lease obligations, compensated absences and OPWC loans outstanding with \$3,081,034 due within one year.

Table 4 Outstanding Long-Term Obligations at Year End

	Governmental Activities	
	2016	2015
General Obligation Bonds	\$7,409,378	\$8,735,456
Special Assessment Bonds	324,288	454,486
Capital Lease Obligations	107,801	142,316
Compensated Absences	2,963,928	2,955,702
OPWC - Loan	735,647	776,517
Total	<u>\$11,541,042</u>	<u>\$13,064,477</u>

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The General Obligation Bonds are composed of (1) Emergency Generator bonds issued in 2002; (2) Community Center/Service Center Construction bonds that were refunded in 2008 and to be repaid from a dedicated 3/4% of the City's municipal income tax and (3) Street Infrastructure improvement bonds were issued in May 2013 and to be repaid with a percentage of the first 1 percent of the City's municipal income tax.

The Special Assessment Bonds consist of various Street and Sewer Construction projects, Engle Road Improvements, Hepburn Road Improvements, and various other improvements. Principal and interest for these bonds are paid from the collection of special assessments collected by the County Auditor from the specific property owners who primarily benefited from the projects.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10½% of total assessed valuation. The City's net legal debt margin within the 10½% limit was \$52.6 million on December 31, 2016.

Additional information concerning the City's debt can be found in Note 14 of this report.

Current Financial Related Activities

The City of Middleburg Heights is financially stable. On November 7, 2006, the residents of the City of Middleburg Heights voted in favor of an income tax increase from 1.75% to 2.00% with a corresponding increase in the credit given for resident income earned outside of the city, effective January 1, 2007. This increase along with the efforts of our Economic Development Department has helped to ensure the financial stability of our city. The City endured the greatest economic downturn since the Great Depression without laying off staff, without cuts in service, and without raising taxes. Continued reductions in intergovernmental revenues levied by the State have dictated a conservative approach concerning the City's financial matters. The City will continue to exercise fiscal prudence in order to maintain our historically sound financial position. The Mayor and City Council are dedicated to maintaining the service level that has come to be expected by its residents while balancing a tight budget.

In 2013, the City of Middleburg Heights issued \$5.86 million in general obligation bonds to finance the 3-year neighborhood streets improvements program. As part of this issuance process, the City had its bond rating reviewed. Moody's Investors Service was quick to confirm the City's Aa1 bond rating, citing our city's stable tax base, solid management, and sound financial position with healthy reserve levels. The City first attained the Aa1 rating in 2010, as part of Moody's recalibration of its' rating system. This was notable as it is the highest bond rating that the City has ever achieved.

The City of Middleburg Heights has committed itself to financial excellence and has a history of doing just that. The City has received the Government Finance Officers Award (GFOA) Certificate of Achievement for Excellence in Financial Reporting since its initial submission in 1995. Our commitment to our residents has always been one of full disclosure of the financial position of the City.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need financial information contact Director of Finance Jason Stewart, CPA, City of Middleburg Heights, 15700 Bagley Rd., Middleburg Heights, Ohio 44130, telephone 440-234-8989, or email jstewart@middleburgheights.com.

City of Middleburg Heights, Ohio

Statement of Net Position

December 31, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$8,920,731
Accounts Receivable	307,253
Accrued Interest Receivable	9,385
Intergovernmental Receivable	614,377
Prepaid Items	155,316
Materials and Supplies Inventory	350,582
Income Tax Receivable	4,694,005
Property Taxes Receivable	2,204,282
Other Local Taxes Receivable	40,339
Special Assessments Receivable	324,288
Nondepreciable Capital Assets	14,580,480
Depreciable Capital Assets	53,349,024
<i>Total Assets</i>	<u>85,550,062</u>
Deferred Outflows of Resources	
Deferral on Refunding	103,000
Pension - PERS	3,878,893
Pension - OP&F	3,660,512
<i>Total Deferred Outflows of Resources</i>	<u>7,642,405</u>
Liabilities	
Accounts Payable	411,474
Accrued Wages	98,494
Retainage Payable	55,935
Intergovernmental Payable	119,874
Accrued Interest Payable	19,755
Claims Payable	328,481
Unearned Revenue	201,794
Notes Payable	2,475,000
Long-Term Liabilities:	
Due Within One Year	3,081,034
Due In More Than One Year:	
Net Pension Liability - PERS (See Note 9)	9,911,572
Net Pension Liability - OP&F (See Note 9)	15,793,831
Other Amounts	8,460,008
<i>Total Liabilities</i>	<u>40,957,252</u>
Deferred Inflows of Resources	
Property Taxes	2,095,486
Pension - PERS	191,511
Pension - OP&F	648,456
<i>Total Deferred Inflows of Resources</i>	<u>2,935,453</u>
Net Position	
Net Investment in Capital Assets	57,262,806
Restricted for:	
Capital Projects	1,456,572
Debt Service	1,148,569
Other Purposes	1,605,793
Unrestricted (Deficit)	(12,173,978)
<i>Total Net Position</i>	<u><u>\$49,299,762</u></u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Security of Persons and Property:					
Police	\$5,669,608	\$459,238	\$0	\$0	(\$5,210,370)
Fire	4,669,411	626,497			(4,042,914)
Safety Director	76,087				(76,087)
Public Health and Welfare	265,118	9,719			(255,399)
Culture and Recreation	3,511,118	1,506,720			(2,004,398)
Community Development	836,514	218,136			(618,378)
Economic Development	355,895	5,299			(350,596)
Streets and Highways	3,606,091	8,245	841,685	3,196,889	440,728
Sanitation	972,643				(972,643)
General Government	8,489,326	206,015			(8,283,311)
Interest and Fiscal Charges	303,708				(303,708)
Total Governmental Activities	\$28,755,519	\$3,039,869	\$841,685	\$3,196,889	(21,677,076)

General Revenues

Property and Other Local Taxes Levied for:

General Purposes	1,891,298
Debt Service	215,852
Police and Fire Pension	259,010
Public Health and Welfare	160,237
Income Tax Levied for:	
General Purposes	16,464,919
Debt Service	1,250,267
Recreation	1,544,602
Capital Outlay	1,183,589
Grants and Entitlements not Restricted to Specific Programs	771,867
Investment Earnings	60,917
Miscellaneous	486,840

Total General Revenues 24,289,398

Change in Net Position 2,612,322

Restated Net Position Beginning of Year, (See Note 19) 46,687,440

Net Position End of Year \$49,299,762

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Balance Sheet

Governmental Funds

December 31, 2016

	General	Recreation	Bond Retirement	Capital Improvements	Streets/ Infrastructure Improvements	Bagley/Fry Roadway
Assets:						
Equity in Pooled Cash and Investments	\$5,019,770	\$172,342	\$526,990	\$70,748	\$1,043,413	477,619
Materials and Supplies Inventory	92,547	32,847				
Accrued Interest Receivable	9,129		256			
Accounts Receivable	227,718			875		
Intergovernmental Receivable	220,618		15,270			
Prepaid Items	139,941	15,375				
Income Taxes Receivable	3,630,756	436,824	270,459	225,383	130,583	
Property Taxes Receivable	1,531,234		228,542			
Other Local Taxes Receivable	40,339					
Special Assessments Receivable			324,288			
Total Assets	\$10,912,052	\$657,388	\$1,365,805	\$297,006	\$1,173,996	\$477,619
Liabilities:						
Accounts Payable	\$198,645	\$28,100	\$0	\$0	\$0	\$122,604
Accrued Wages	65,051	18,919				
Intergovernmental Payable	119,874					
Retainage Payable					14,430	55,935
Unearned Revenue		201,794				
Notes Payable						2,475,000
Total Liabilities	383,570	248,813	0	0	14,430	2,653,539
Deferred Inflows of Resources:						
Property Taxes	1,455,479		217,236			
Unavailable Revenue - Delinquent Property Taxes	75,755		11,306			
Unavailable Revenue - Income taxes	924,044	111,174	68,833	57,361	33,234	
Unavailable Revenue - Other	281,924		339,558	875		
Total Deferred Inflows of Resources	2,737,202	111,174	636,933	58,236	33,234	0
Fund Balances:						
Nonspendable	340,009	48,222				
Restricted		249,179	728,872			
Committed				238,770	1,126,332	
Assigned	305,282					
Unassigned	7,145,989					(2,175,920)
Total Fund Balances	7,791,280	297,401	728,872	238,770	1,126,332	(2,175,920)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$10,912,052	\$657,388	\$1,365,805	\$297,006	\$1,173,996	\$477,619

See accompanying notes to the financial statements

City of Middleburg Heights, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2016*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$9,193,795
		<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
		Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	67,929,504
\$858,718	\$8,169,600	The net pension liability is not due and payable in the current period: therefore, the liability and related deferred inflows/outflows are not	
225,188	350,582	Deferred Outflows - PERS & OP&F	\$7,539,405
78,660	9,385	Deferred Inflows - PERS & OP&F	(839,967)
378,489	307,253	Net Pension Liability - PERS & OP&F	<u>(25,705,403)</u>
	614,377	Total	(19,005,965)
	155,316	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
	4,694,005	Delinquent Property Taxes	108,796
444,506	2,204,282	Income Taxes	1,194,646
	40,339	Intergovernmental	446,023
	324,288	Special Assessments	325,163
<u>\$1,985,561</u>	<u>\$16,869,427</u>	Charges for Services	<u>142,947</u>
		Total	2,217,575
\$47,695	\$397,044	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.	422,650
14,524	98,494	Accrued interest payable on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(19,755)
	119,874	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
	70,365	General Obligation Bonds	(7,409,378)
	201,794	Special Assessment Bonds	(324,288)
62,219	2,475,000	Capital Leases	(107,801)
	3,362,571	OPWC Loan	(735,647)
		Deferral on Refunding	103,000
		Compensated Absences	<u>(2,963,928)</u>
		Total	<u>(11,438,042)</u>
422,771	2,095,486	Net Position of Governmental Activities	<u>\$49,299,762</u>
21,735	108,796		
291,776	1,194,646		
<u>736,282</u>	<u>4,313,061</u>		
225,188	613,419		
806,768	1,784,819		
155,104	1,520,206		
	305,282		
	4,970,069		
<u>1,187,060</u>	<u>9,193,795</u>		
<u>\$1,985,561</u>	<u>\$16,869,427</u>		

City of Middleburg Heights, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Recreation	Bond Retirement	Capital Improvements	Streets/ Infrastructure Improvements
Revenues					
Property Taxes	\$1,506,387	\$0	\$224,829	\$0	\$0
Income Taxes	16,605,263	1,551,114	1,267,559	582,510	579,625
Other Local Taxes	649,151				
Intergovernmental	490,897		47,175		
Special Assessments			155,858		
Interest	53,709		3,913		
Fines, Licenses and Permits	862,412				
Charges for Services	468,200	1,506,720			530
Other	359,389	3,594		39,383	16,732
<i>Total Revenues</i>	<u>20,995,408</u>	<u>3,061,428</u>	<u>1,699,334</u>	<u>621,893</u>	<u>596,887</u>
Expenditures					
Current:					
Security of Persons and Property					
Police	4,886,317				
Fire	3,732,380				
Safety Director	73,176				
Public Health and Welfare	86,507				
Culture and Recreation		2,902,906			
Community Development	794,295				
Economic Development	346,598				
Streets and Highways					
Sanitation	972,643				
General Government	7,434,799		19,737		
Capital Outlay				840,754	685,421
Debt Service:					
Principal Retirement			1,425,198	34,515	40,870
Interest and Fiscal Charges			284,352	2,886	
<i>Total Expenditures</i>	<u>18,326,715</u>	<u>2,902,906</u>	<u>1,729,287</u>	<u>878,155</u>	<u>726,291</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,668,693</u>	<u>158,522</u>	<u>(29,953)</u>	<u>(256,262)</u>	<u>(129,404)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets				2,075	
Premium on the Issuance of Debt			43,195		
Transfers In					
Transfers Out	(1,100,000)				
<i>Total Other Financing Sources (Uses)</i>	<u>(1,100,000)</u>	<u>0</u>	<u>43,195</u>	<u>2,075</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,568,693	158,522	13,242	(254,187)	(129,404)
<i>Fund Balances Beginning of Year</i>	<u>6,222,587</u>	<u>138,879</u>	<u>715,630</u>	<u>492,957</u>	<u>1,255,736</u>
<i>Fund Balances End of Year</i>	<u>\$7,791,280</u>	<u>\$297,401</u>	<u>\$728,872</u>	<u>\$238,770</u>	<u>\$1,126,332</u>

See accompanying notes to the basic financial statements

*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*

Bagley/Fry Roadway	Other Governmental Funds	Total Governmental Funds		
\$0	\$435,920	\$2,167,136	Net Change in Fund Balances - Total Governmental Funds (\$725,371)	
		20,586,071	Amounts reported for governmental activities in the statement of activities are different because	
	889,411	649,151		Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the net amount of current year capital asset activity.
		1,427,483		Capital Asset Additions \$6,270,376
		155,858		Capital Asset Deletions (406,975)
3,291	4	60,917		Accum Depr on Disposals 164,423
	8,643	871,055		Current Year Depreciation (2,261,100)
	198,996	2,174,446		Total 3,766,724
	37,044	456,142		Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.
3,291	1,570,018	28,548,259		Delinquent Property Taxes (85,794)
				Income Tax (142,694)
			Intergovernmental (18,027)	
	150,374	5,036,691	Special Assessments (129,848)	
	223,403	3,955,783	Charges for Services (5,982)	
		73,176	Total (382,345)	
	178,611	265,118	The issuance of long term debt provides current financial resources to the governmental funds while the repayment of principal of long-term debt consumes the current financial resources, but reduces long-term liabilities in the statement of net position.	
		2,902,906	Bond and Capital Lease Principal 1,459,713	
		794,295	OPWC Loan Principal 40,870	
		346,598	Total 1,500,583	
	1,870,612	1,870,612	In the statement of activities, interest accrued on outstanding bonds, bond premium, and the gain/loss on refunding are amortized over the term of the bonds, whereas in the governmental funds the expenditure is reported when the bonds are issued.	
		972,643	Accrued Interest 3,952	
190,963	8,397	7,653,896	Amortization of Bond Premium 31,078	
1,988,248	144,938	3,659,361	Amortization of Loss on Refunding (51,500)	
		1,500,583	Total (16,470)	
		287,238	Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (8,226)	
2,179,211	2,576,335	29,318,900	Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,954,932	
(2,175,920)	(1,006,317)	(770,641)	Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (3,520,476)	
			The internal service fund used by management to charge the cost of health insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 42,971	
			Change in Net Position of Governmental Activities \$2,612,322	

City of Middleburg Heights, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,425,122	\$1,425,122	\$1,506,387	\$81,265
Income Taxes	15,368,632	15,368,632	16,108,197	739,565
Other Local Taxes	630,000	630,000	662,834	32,834
Intergovernmental	430,212	430,212	458,738	28,526
Interest	36,000	36,000	47,006	11,006
Fines, Licenses and Permits	1,027,025	1,027,025	863,848	(163,177)
Charges for Services	403,050	403,050	424,708	21,658
Other	319,800	479,471	534,060	54,589
<i>Total Revenues</i>	<u>19,639,841</u>	<u>19,799,512</u>	<u>20,605,778</u>	<u>806,266</u>
Expenditures				
Current:				
Security of Persons and Property:				
Police	5,466,617	5,479,827	5,113,933	365,894
Fire	4,125,883	4,130,933	3,910,540	220,393
Safety Director	75,488	75,488	75,080	408
Public Health and Welfare	79,358	96,108	95,770	338
Community Development	845,545	845,545	819,761	25,784
Economic Development	404,938	404,938	366,997	37,941
Sanitation	1,168,719	1,168,719	1,076,679	92,040
General Government	8,334,793	8,492,693	8,092,434	400,259
<i>Total Expenditures</i>	<u>20,501,341</u>	<u>20,694,251</u>	<u>19,551,194</u>	<u>1,143,057</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(861,500)</u>	<u>(894,739)</u>	<u>1,054,584</u>	<u>1,949,323</u>
Other Financing Sources (Uses)				
Advances In	0	100,000	100,000	0
Advances Out	0	(100,000)	(100,000)	0
Transfers Out	(1,100,000)	(1,100,000)	(1,100,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(1,961,500)</u>	<u>(1,994,739)</u>	<u>(45,416)</u>	<u>1,949,323</u>
<i>Fund Balance Beginning of Year</i>	4,043,994	4,043,994	4,043,994	0
Prior Year Encumbrances Appropriated	541,420	541,420	541,420	0
<i>Fund Balance End of Year</i>	<u><u>\$2,623,914</u></u>	<u><u>\$2,590,675</u></u>	<u><u>\$4,539,998</u></u>	<u><u>\$1,949,323</u></u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Recreation Fund
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Income Taxes	\$1,700,000	\$1,700,000	\$1,469,777	(\$230,223)
Charges for Services	1,451,300	1,451,300	1,483,219	31,919
Other	2,800	2,800	3,594	794
<i>Total Revenues</i>	<u>3,154,100</u>	<u>3,154,100</u>	<u>2,956,590</u>	<u>(197,510)</u>
Expenditures				
Current:				
Culture and Recreation	3,104,984	3,154,984	3,011,171	143,813
<i>Total Expenditures</i>	<u>3,104,984</u>	<u>3,154,984</u>	<u>3,011,171</u>	<u>143,813</u>
<i>Net Change in Fund Balance</i>	49,116	(884)	(54,581)	(53,697)
<i>Fund Balance Beginning of Year</i>	150,000	150,000	150,000	0
Prior Year Encumbrances Appropriated	54,581	54,581	54,581	0
<i>Fund Balance End of Year</i>	<u>\$253,697</u>	<u>\$203,697</u>	<u>\$150,000</u>	<u>(\$53,697)</u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Fund Net Position

Proprietary Fund

December 31, 2016

	<u>Governmental Activities</u> <u>Internal Service</u> <u>Fund - Health Insurance</u>
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	<u>\$751,131</u>
<i>Total Assets</i>	<u>751,131</u>
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	<u>328,481</u>
<i>Total Liabilities</i>	<u>328,481</u>
Net Position	
Unrestricted	<u>422,650</u>
<i>Total Net Position</i>	<u><u>\$422,650</u></u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Position*
Proprietary Fund
For the Year Ended December 31, 2016

	Governmental Activities Internal Service Fund - Health Insurance
Operating Revenues	
Charges for Services	\$3,078,277
<i>Total Operating Revenues</i>	<i>3,078,277</i>
Operating Expenses	
Contractual Services	443,320
Claims	2,591,986
<i>Total Operating Expenses</i>	<i>3,035,306</i>
<i>Change in Net Position</i>	42,971
<i>Net Position Beginning of Year</i>	<i>379,679</i>
<i>Net Position End of Year</i>	<i>\$422,650</i>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2016

	Governmental Activities Internal Service Fund - Health Insurance
<i>Increase (Decrease) In Cash and Investments</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$3,078,277
Cash Payments to Suppliers for Services	(443,320)
Cash Payments for Claims	(2,477,088)
<i>Net Cash Flows From Operating Activities</i>	157,869
<i>Net Increase In Cash and Investments</i>	157,869
<i>Cash and Investments Beginning of Year</i>	593,262
<i>Cash and Investments End of Year</i>	\$751,131
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
<i>Operating Income</i>	\$42,971
Adjustments:	
Increase in Claims Payable	114,898
<i>Net Cash Provided By Operating Activities</i>	\$157,869

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2016

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	\$128,367
Cash in Segregated Accounts	<u>39,465</u>
Total Assets	<u><u>\$167,832</u></u>
Liabilities	
Deposits Held and Due to Others	<u><u>\$167,832</u></u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 1 – Description of the City

The City of Middleburg Heights (the “City”) was incorporated as a village in 1927 and became a city in 1961. The City of Middleburg Heights (“The City”) is a charter municipal corporation, incorporated under the laws of the State of Ohio. The City operates under a “Mayor-Council” form of government and provides the following services: public safety (police and fire), highway and street maintenance, parks and recreation, public improvements, community development (planning and zoning), public health and certain social services, and general administrative services. Elected officials include seven council members and a mayor.

Note 2 - Summary of Significant Accounting Policies

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

A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City, this includes a police force, a fire fighting force, a service department, a building department, a recreation department, and a staff to provide essential support to these service providers.

The Mayor is an elected official who has a fiduciary responsibility for the collection and disbursement of Mayor’s Court fees and fines. This activity has been included in the City’s financial statements as an agency fund.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. 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 participates in several jointly governed organizations, including the Southwest General Health Center, the Woodvale Union Cemetery, the Southwest Council of Governments, the Northeast Ohio Public Energy Council, and the Suburban Water Regional Council of Governments. Refer to Note 21 for the City’s relationship to these entities.

B. Basis of Presentation

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 effect of inter-fund activity of the Health Insurance internal service fund has been eliminated from the government-wide financial statements to avoid the “double counting” of revenues and expenses. Interfund charges for services and net expenses are allocated to the various functions in proportion to the interfund chargeback.

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

Fund Financial Statements

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

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City’s funds are classified as governmental, proprietary, or fiduciary.

Governmental Funds

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

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Recreation Fund The recreation fund is used to account for the revenues and expenditures relating to leisure time activities, principally the City's Community Center. The fund is financed primarily by membership fees and other fees for a variety of recreation programs. Income tax receipts are also allocated to this fund to help finance the recreation departments operations.

Bond Retirement Fund The bond retirement fund is used to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal and interest and to account for the monies received from the levy of special assessments for the purpose of retiring the principal and interest on special assessment bonds.

Capital Improvements Fund The capital improvements fund accounts for the purchase of capital equipment and certain other capital improvements financed, in part, by at least ten percent of the first one percent of net income tax collections.

Streets/Infrastructure Improvements Fund The street infrastructure improvement fund accounts for the construction of streets and other infrastructure projects throughout the City. The fund is financed, in part, by ten percent of the first one percent of net income tax collections less applicable debt service.

Bagley/Fry Roadway Fund The Bagley/Fry roadway fund is used to account for the accumulation of resources for the acquisition, construction, or improvement of the Bagley/Fry roadway project.

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

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

Internal Service Fund 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 fund reports on a self-insurance program for employee health benefits.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are purely custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for the activities of the Mayor's Court, a State Building Standards fee, various deposits, and a flexible spending account.

D. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the 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 the City are included on the Statement of Net Position, except for Fiduciary Funds. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

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

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

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 6.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On 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, hotel/motel tax, admissions tax, cable TV franchise fees, ambulance fees, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants and entitlements.

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferral on refunding and pension reported in the government-wide statement of net position. A deferral on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pensions are explained in Note 9.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

In addition to liabilities, the statement of net position reports 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, pension and unavailable revenues. 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 deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, charges for services, intergovernmental grants, and special assessments. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pensions are reported in the government-wide statement of net position. (See Note 9)

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.

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

During fiscal year 2016, the portfolio of the City was limited to non-participating investment contracts (e.g., certificates of deposit), STARohio, STAR plus, negotiable certificates of deposit and Federal Agency Securities.

F. Cash and Investments

STAR Plus is a federally insured cash account instituted by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits. As of December 31, 2016, the Net APY for STAR Plus was .37%.

Investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts such as non-negotiable certificates of deposit and repurchase agreements are reported at cost.

Investment procedures are restricted by provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2016 amounted to \$53,709 which includes \$39 assigned from other City funds.

Investments with an original maturity of three months or less and investments of the cash management pool are presented on the financial statements as cash and investments. Investments with an original maturity of more than three months that are not made from the pool are reported as "investments".

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

H. Inventory

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

I. Capital Assets

General capital assets are assets that are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. The City reported infrastructure assets at the same time it implemented GASB Statement No. 34 as of the year ended December 31, 2003.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of streets, water mains, sanitary sewers, storm sewers, traffic signals and sidewalks. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-50 years
Buildings and Improvements	10-50 years
Machinery and Equipment	4-30 years
Streets	40 years
Sanitary Sewers, Storm Sewers and Water Mains	75 years
Furniture and Fixtures	20 years
Traffic Signals	20 years
Sidewalks	40 years

J. Interfund Balances

On the fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund balance amounts are eliminated in the statement of net position. Neither "interfund receivables/payables are presented in 2016.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

K. 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 accumulated unused vacation time when earned for all employees.

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

A liability for these amounts is reported in governmental funds only if they have matured, for example, unused reimbursable leave still outstanding following employee resignations and retirements.

L. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Annual membership revenues for the City's Community Center have been recorded as unearned revenue to the extent that they had not been earned as of December 31, 2016.

M. Fund Balance

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

Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash.

Restricted - The Restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means 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 purposes specified by the legislation.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

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

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 first applies restricted resources when an expenditure is 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 can be used.

N. Net position

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include State Highway, Police Pension, Fire Pension and Southwest General Hospital Funds.

The government-wide statement of net position reports \$4,210,934 of the restricted component of net position, none of which is restricted by enabling legislation. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

O. Interfund Activity

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

P. 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 are either unusual in nature or infrequent in occurrence. Neither item occurred in 2016.

Q. Estimates

The preparation of 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.

R. 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 the self-insurance program. Operating expenses are necessary costs that have been incurred in order to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

S. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object levels of personnel costs and other costs within each department for all funds. Adjustments to the budget can only be made within a department and then only within the aforementioned object levels by the Director of Finance, upon request by the department head and approval of the Mayor. All other budgetary modifications may only be made by passage of an ordinance by the City Council.

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

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

T. Pensions

For purposes of measuring the net pension asset and liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

Note 3 – Changes in Accounting Principles

The Governmental Accounting Standards Board (GASB) has issued Statement No. 72, “Fair Value Measurement and Application”. This statement 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 and provides guidance for applying fair value to certain investments and disclosures related to all fair Value measurements. This Statement is effective for reporting periods beginning after June 15, 2015 and has been implemented by the City, in the note disclosures, however, there was no effect on beginning net position or fund balance.

The Governmental Accounting Standards Board (GASB) has issued 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. The Statement establishes requirements for defined benefit pensions that are not within the scope of Statement 68 as well as for the assets accumulated for purposes of providing those pensions. This Statement is effective for reporting periods beginning after June 15, 2015 and has been implemented by the City. This statement had no impact on the City’s financial statements.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 77, “Tax Abatement Disclosures”. This Statement requires governments that enter into tax abatement agreements to disclose a brief description of the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which they are abated, provisions for recapturing abated taxes and the types of commitments made by the tax abatement recipients. Also, the gross dollar amount of the taxes being abated during the period and commitments made by the government, other than to abate taxes, as part of a tax abatement agreement. This Statement is effective for reporting periods after December 15, 2015 and has been implemented by the City. This statement had no impact on the City’s financial statements.

The Government Accounting Standards Board (GASB) has issued Statement No. 78 “Accounting and Financial Reporting for Pensions”. This statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit plan. This Statement is effective for reporting periods after December 15, 2015 and has been implemented by the City. This statement had no impact on the City’s financial statements.

The Government Accounting Standards Board (GASB) has issued Statement No. 79 “Certain External Investment Pools and Participants”. This statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for reporting periods after December 15, 2015 and has been implemented by the City. This statement had no impact on the City’s financial statements.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as assigned, committed or restricted, net position (GAAP).
4. Investments reported at fair value (GAAP) rather than cost (budget).
5. Advances in and out are operating transactions (budget) versus balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General and Recreation funds.

	<u>Net Change in Fund Balance</u>	
	<u>General</u>	<u>Recreation</u>
GAAP Basis	\$1,568,693	\$158,522
Net Adjustment for Revenue Accruals	(559,644)	(104,838)
Fair Value Adjustment for Investments 2015	(32,454)	0
Fair Value Adjustment for Investments 2016	27,797	0
Advances In	100,000	0
Advances Out	(100,000)	0
Net Adjustment for Expenditure Accruals	(545,881)	(85,922)
Encumbrances	<u>(503,927)</u>	<u>(22,343)</u>
Budget Basis	<u>(\$45,416)</u>	<u>(\$54,581)</u>

Note 5 - 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.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

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

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

The City's investment policies are governed by state statutes and its own investment policy which authorize the City to invest in obligations of the United States Treasury, United States government agencies and instrumentalities, bonds and other obligations of the State of Ohio and its political subdivisions, no-load Money Market Mutual Funds not containing derivatives, repurchase agreements, certificates of deposit, State Treasurer Asset Reserve of Ohio (STAROhio) and STAR Plus. Repurchase agreements are limited to 30 days, and the market value of the securities purchased under the agreement must exceed the principal value of the repurchase agreement by at least two percent and be marked to market daily.

Investments in collateral-backed mortgage obligations, derivatives, interest-only purchases, variable interest securities, reverse repurchase agreements, investment pools, except for STAROhio, and stocks, are prohibited, unless specifically authorized by council. 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 Finance Director 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 Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. The City has no deposit policy for custodial credit risk beyond the requirement of state statute. Chapter 135 of the Ohio Revised Code requires that any public depository receiving deposits pursuant to an award of City funds shall be required to pledge eligible securities as security for repayment of all public moneys.

At year-end, the carrying amount of the City's deposits was \$1,591,074 and the bank balance was \$2,547,896. Of the bank balance \$288,855 was covered by Federal depository insurance. The remaining \$2,259,041 was uninsured. Of the remaining uninsured bank balance, \$2,259,041 was collateralized with securities held by the pledging institution's agent, not in the City's name, as allowed by the Ohio Revised Code.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Investments

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

	Fair Value	Weighted Average Maturity (Days)
STAROhio	\$3,226,073	52
Federal National Mortgage Association Bonds	2,972,158	712
Federal Farm Credit Bureau Bonds	997,769	324
FDIC Insured Negotiable CD's	250,201	136
City of Middleburg Heights Manuscript Bonds	51,288	1065
Total Portfolio	\$7,497,489	360

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2016. As discussed further in Note 2, STAR Ohio is reported at its share price. All other investments of the City are valued using quoted market prices (Level 1 inputs).

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 by requiring that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term payments, thereby avoiding the need to sell securities on the open market prior to maturity. State law also limits security purchases to those that mature within five years unless matched to a specific obligation. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of December 31, 2016, is 52 days and carries a rating of AAAM by Standard & Poor's.

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 which requires that all investments are authorized by the Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. The Federal National Mortgage Association Bonds, Federal Farm Credit Bureau Bonds, Federal Home Loan Bank Bonds and the Federal Home Loan Mortgage Corporation Bonds carry a rating of AAAM by Standard & Poor's. STAR Ohio also carries a rating of AAAM by Standard & Poor's.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as having invested five percent or more of the City's portfolio in the securities of a single issuer. The City's investment policy recommends diversification of the portfolio. One method utilized by the City to reduce

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

the risk of loss due to default by a financial institution is limiting the amount of investments placed with any institution to no more than fifty percent of the City's deposit/investment portfolio. The following is the City's allocation as of December 31, 2016:

Investment Issuer	Percentage of Investments
STAROhio	43.03%
Federal National Mortgage Association Bonds	39.64%
Federal Farm Credit Bureau Bonds	13.31%
FDIC Insured Negotiable CD's	3.34%
City of Middleburg Heights Manuscript Bonds	0.68%
Total	100.00%

Note 6 – Receivables

Receivables at December 31, 2016, consisted primarily of municipal income taxes, property and other local taxes, accounts, special assessments, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

Special assessments expected to be collected in more than one-year amount to \$208,178 in the Bond Retirement Fund. At December 31, 2016 the amount of delinquent special assessments was \$31,462.

A. Property Taxes

Property taxes include amounts levied against all real and public utility personal property located in the City. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016 on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2015 operations.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes, which became a lien December 31, 2015, are levied after October 1, 2016, and collected in 2015 with real property taxes.

The tax rate for all City operations for the year ended December 31, 2016, was \$5.45 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

Real Property	\$482,861,060
Public Utility Tangible Property	18,081,890
Total Valuation	\$500,942,950

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the City. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. In the General, Police Pension, Fire Pension, Bond Retirement and Southwest General Hospital Funds, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2016 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Municipal Income Taxes

In 2016, the City levied a municipal income tax of 2.00 percent on all income earned within the City as well as on income of residents earned outside of the City. In the case of income of residents earned outside of the city, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA), on behalf of the City, at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first (advance) and tenth business days (final settlement) of the following month. Income tax revenue is credited to the General Fund, Recreation Fund, General Obligation Bond Retirement Fund, Capital Improvements Fund, and Streets/Infrastructure Improvements Fund.

C. Intergovernmental Receivable

A summary of intergovernmental receivables follows:

Governmental Activities	Amounts
Gasoline Taxes	\$346,000
Homestead and Rollback	116,938
Local Government Funds	135,929
Permissive Motor Vehicle License Tax	11,179
CAT Tax Reimbursement	2,848
Berea Municipal Court	1,483
Total	\$614,377

Note 7 - 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. During 2016, the City contracted with Travelers Insurance Agency for its Commercial Umbrella coverage. A summary of insurance coverage is as follows:

Company	Type of Coverage	Coverage
Travelers Insurance Co.	Comprehensive general liability	\$1 million per occurrence/

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

		\$2 million aggregate \$1 million per occurrence/ \$3 million aggregate
Travelers Insurance Co.	Employee Benefits	
Travelers Insurance Co.	Blanket building and contents	\$59,470,364
Travelers Insurance Co.	Inland marine coverage	\$2,104,516
Travelers Insurance Co.	Public Officials Liability	\$1 million per occurrence
Travelers Insurance Co.	Law Enforcement Liability	\$1 million per occurrence
Travelers Insurance Co.	Employment Practices Liability	\$1,000,000
Travelers Insurance Co.	Employee Dishonesty	\$100,000
Travelers Insurance Co.	Commercial Automobile	\$1,000,000
Travelers Insurance Co.	Commercial Umbrella	\$5,000,000
Travelers Insurance Co.	Ohio Stop Gap	\$1,000,000

Settled claims have not exceeded coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

In 2016 the City provided two different medical plans for full time employees, council members and their families. A traditional plan with a Preferred Provider Organization is self funded and administered by a third party administrator. A Health Maintenance Organization plan was also offered and was fully insured. All covered employees also receive prescription, dental and vision benefits. Employees declining health care benefits can receive a monthly opt-out payment ranging from \$14 to \$100. Full time employees receive term life insurance benefits of \$50,000. Elected officials received term life insurance benefits of \$30,000.

Under the traditional medical plan, the preferred provider prices all claims which are then submitted to the third party administrator. The third party administrator reviews and processes the claims, which the City then pays. The City has purchased medical stop loss coverage of \$75,000 per individual and \$2,546,230 in aggregate. In 2016, the City funded the self-insurance internal service fund at \$808 per month for single coverage and \$2,019 per month for family coverage. These charges are paid by the fund from which the employees' compensation is paid.

The claims liability of \$328,481, as estimated and reported in the internal service fund at December 31, 2016, are based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims represent medical claims that are due within one year and are classified as a current liability.

Changes in the claims liability for the last two years are as follows:

	Estimated Claims Payable January 1st	Current Year Claims and Changes In Estimates	Claim Payments	Estimated Claims Payable December 31st
2015	\$204,874	\$2,347,491	(\$2,338,782)	\$213,583
2016	\$213,583	\$2,591,986	(\$2,477,088)	\$328,481

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

Note 8 – Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Restated Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$5,471,819	\$274,192	\$0	\$5,746,011
Construction-In-Progress	3,742,418	5,320,031	(227,980)	8,834,469
Total Capital Assets, not being Depreciated	<u>9,214,237</u>	<u>5,594,223</u>	<u>(227,980)</u>	<u>14,580,480</u>
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,285,769	49,995		1,335,764
Buildings and Improvements	31,258,376	226,213		31,484,589
Furniture and Fixtures	87,726	9,750		97,476
Machinery and Equipment	10,533,875	270,026	(156,577)	10,647,324
Infrastructure:				
Streets	26,587,363		(22,418)	26,564,945
Sidewalks	1,020,490			1,020,490
Traffic Signals	3,514,048	9,300		3,523,348
Water Mains	2,578,547			2,578,547
Sanitary Sewers	2,603,816			2,603,816
Storm Sewers	4,567,423	110,869		4,678,292
Total Capital Assets being Depreciated	<u>84,037,433</u>	<u>676,153</u>	<u>(178,995)</u>	<u>84,534,591</u>
Less Accumulated Depreciation:				
Land Improvements	(948,189)	(31,934)		(980,123)
Buildings and Improvements	(11,886,424)	(684,271)		(12,570,695)
Furniture and Fixtures	(54,265)	(4,833)		(59,098)
Machinery and Equipment	(6,969,890)	(539,924)	156,577	(7,353,237)
Infrastructure:				
Streets	(5,006,669)	(664,647)	7,846	(5,663,470)
Sidewalks	(196,965)	(25,512)		(222,477)
Traffic Signals	(2,279,978)	(176,167)		(2,456,145)
Water Mains	(493,761)	(34,381)		(528,142)
Sanitary Sewers	(611,161)	(37,054)		(648,215)
Storm Sewers	(641,588)	(62,377)		(703,965)
Total Accumulated Depreciation	<u>(29,088,890)</u>	<u>(2,261,100)</u>	<u>164,423</u>	<u>(31,185,567)</u>
Total Capital Assets being Depreciated, Net	<u>54,948,543</u>	<u>(1,584,947)</u>	<u>(14,572)</u>	<u>53,349,024</u>
Governmental Activities Capital Assets, Net	<u>\$64,162,780</u>	<u>\$4,009,276</u>	<u>(\$242,552)</u>	<u>\$67,929,504</u>

* Depreciation expense was charged to governmental activities as follows:

General Government

\$498,275

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Public Safety:	
Police	136,241
Fire	213,572
Streets and Highways	1,000,138
Culture and Recreation	412,874
Total Depreciation Expense	\$2,261,100

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees)

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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

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

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

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

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
 2016 Actual Contribution Rates	
Employer:	
Pension	12.00 %
Post-employment Health Care Benefits	2.00 %
Total Employer	14.00 %
 Employee	 10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$865,049 for 2016. Of this amount, \$0 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF 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 OPF may retire and receive a lifetime monthly pension. OPF 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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

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

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

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 11.50 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$1,089,883 for 2016. Of this amount \$119,874 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF'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 Plan	OPF	Total
Proportionate Share of the Net Pension Liability	\$ 9,911,572	\$ 15,793,831	\$ 25,705,403
Proportion of the Net Pension Liability	0.05722200%	0.2455100%	
Pension Expense	\$ 1,449,791	\$ 2,070,685	\$ 3,520,476

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

	OPERS		Total
	Traditional Plan	OPF	
Deferred Outflows of Resources			
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	\$ 2,913,383	\$ 2,570,629	\$ 5,484,012
Changes in Proportionate Share	100,461	0	100,461
City Contributions Subsequent to the Measurement Date	865,049	1,089,883	1,954,932
Total Deferred Outflows of Resources	<u>\$ 3,878,893</u>	<u>\$ 3,660,512</u>	<u>\$ 7,539,405</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience			
Actual Experience	\$ 191,511	\$ 44,348	\$ 235,859
Changes in Proportionate Share	0	604,108	604,108
Total Deferred Inflows of Resources	<u>\$ 191,511</u>	<u>\$ 648,456</u>	<u>\$ 839,967</u>

\$1,954,932 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 or addition of the net pension asset 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:

Year Ending December 31:	OPERS		Total
	Traditional Plan	OPF	
2017	\$ 683,538	\$ 551,974	\$ 1,235,512
2018	730,122	551,974	1,282,096
2019	749,374	551,975	1,301,349
2020	659,299	414,935	1,074,234
2021	0	(124,943)	(124,943)
Thereafter	0	(23,742)	(23,742)
	<u>\$ 2,822,333</u>	<u>\$ 1,922,173</u>	<u>\$ 4,744,506</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 percent to 10.05 percent, including wage inflation at 3.75 percent
COLA or Ad Hoc COLA	3.00 percent, simple
Investment Rate of Return	8.00 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent 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:

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 %

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City’s proportionate share of the net pension liability:	\$ 15,791,555	\$ 9,911,572	\$ 4,951,992

Actuarial Assumptions – OPF

OPF’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 OPF’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:

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11.00 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent, simple

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

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 OPF's target asset allocation as of December 31, 2015 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Domestic Equity	16.00	4.47 %	7.80 %
Non-US Equity	16.00	4.47	8.00
Core Fixed Income*	20.00	1.62	5.35
Global Inflation Protected*	20.00	1.33	4.73
High Yield	15.00	3.39	7.21
Real Estate	12.00	3.93	7.43
Private Markets	8.00	6.98	10.73
Timber	5.00	4.92	7.35
Master Limited Partnerships	8.00	7.03	10.75
Total	120.00 %		

Note: Assumptions are geometric.

* levered 2x

** Numbers include inflation

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF'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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability:	\$ 20,829,947	\$ 15,793,831	\$ 11,527,744

Note 10 – Post-Employment Benefits

Ohio Public Employees Retirement System

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

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, 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.

In order to qualify for post-employment 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 Postemployment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR details.

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement 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 percent of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees 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 percent during calendar year 2016 as recommended by OPERS' actuary. The 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 to the VEBA for participants in the Member-Directed Plan for 2016 was 4.0 percent.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$144,175, \$144,218 and \$138,568, respectively. The full amount has been contributed for 2016, 2015 and 2014.

Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OPF. OPF 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.

OPF 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 OPF 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, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF 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 OPF, 140 East Town

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Street, Columbus, Ohio 43215-5164. That report is also available on OPF's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF 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 administrated 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 OPF 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 contribution allocated to health care was 0.5 percent 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 OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OPF, which were allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015 and 2014 were \$25,858, \$17,428 and \$17,361, respectively. Eighty nine percent has been contributed for 2016. The full amount has been contributed for 2015 and 2014.

Note 11 - Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements, City ordinances and State laws. Vacation leave is earned at rates that vary depending upon length of service and standard workweek. Employees may use accumulated vacation after the completion of one year of service with the City. With limited exceptions, accumulated vacation must be used within one year of being earned.

Employees earn sick leave at a rate of 1.25 days per month. Sick leave accumulation is unlimited. Upon retirement or death, an employee can be paid one-third of their accumulated sick leave, subject to certain limits. Employees with a sick leave balance of at least 120 days may convert a percentage of the sick days accumulated during the most recent year into a cash payment.

Note 12 - Contingencies

The City of Middleburg Heights is party to various legal proceedings. However, City management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material adverse effect on the overall financial condition of the City.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 13 – Fund Balance

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

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

Fund Balance	General	Recreation	Bond Retirement	Capital Improvements	Streets/ Infrastructure Improvements	Bagley/Fry Roadway	Other Governmental Funds
Non-Spendable for:							
Prepaid Items	\$139,941	\$15,375	\$0	\$0	\$0	\$0	\$0
Materials and Supplies							
Inventory	92,547	32,847					225,188
Unclaimed Monies	107,521						
Total Non-Spendable	340,009	48,222	0	0	0	0	225,188
Restricted for:							
Bond Retirement			728,872				
Recreation		249,179					
Street Construction							473,215
State Highway							130,221
Clerk of Court Computer							60,628
Law Enforcement							116,542
Police Pension							13,081
Fire Pension							13,081
Total Restricted	0	249,179	728,872	0	0	0	806,768
Committed to:							
Capital Improvements				238,770			
Street/Infrastr. Improvements					1,126,332		
Medical Transport							135,821
Tree Planting							12,168
Veteran's Memorial							7,115
Total Committed	0	0	0	238,770	1,126,332	0	155,104
Assigned for:							
Unpaid Obligations	305,282						
Unassigned:	7,145,989	0	0	0	0	(2,175,920)	0
Total Fund Balance:	\$7,791,280	\$297,401	\$728,872	\$238,770	\$1,126,332	(\$2,175,920)	\$1,187,060

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

Note 14 - Long-Term Obligations

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

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Debt Issue	Original Issue Date	Interest Rate	Original Issue Amount
General Obligation Bonds			
Emergency Generator	2002	1.60 - 4.50 %	\$475,000
Community & Service Center Refunding	2008	3.00 - 4.00%	12,180,000
Street Improvement	2013	1.50 - 3.00%	5,860,000
Special Assessments Bonds			
Engle Road Improvements	1998	3.35 -5.125%	814,000
Hepburn Road Improvements	1998	3.35 -5.125%	611,000
Fowles Road Sanitary Sewer	1999	6.00%	216,000
Engle Road Improvements	2002	1.60 - 4.50 %	210,000

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

	Outstanding 12/31/15	Additions	(Reductions)	Outstanding 12/31/16	Amounts Due in One Year
General Obligation Bonds:					
Emergency Generator	\$205,000	\$0	(\$25,000)	\$180,000	\$25,000
Community & Service Center Refunding	2,900,000		(1,010,000)	1,890,000	960,000
2013 Street Improvements	5,350,000		(260,000)	5,090,000	265,000
Unamortized Premium	280,456		(31,078)	249,378	0
Total General Obligation Bonds	<u>8,735,456</u>	<u>0</u>	<u>(1,326,078)</u>	<u>7,409,378</u>	<u>1,250,000</u>
Special Assessment Bonds:					
Engle Road Improvements	171,000		(60,000)	111,000	50,000
Engle Road Improvements	85,000		(10,000)	75,000	10,000
Hepburn Road Improvements	132,000		(45,000)	87,000	40,000
Fowles Road Sanitary Sewer	66,486		(15,198)	51,288	16,110
Total Special Assessment Bonds	<u>454,486</u>	<u>0</u>	<u>(130,198)</u>	<u>324,288</u>	<u>116,110</u>
Net Pension Liability:					
OPERS	6,749,266	3,162,306		9,911,572	
OP&F	13,471,400	2,322,431		15,793,831	
Total Net Pension Liability	<u>20,220,666</u>	<u>5,484,737</u>	<u>0</u>	<u>25,705,403</u>	<u>0</u>
Other Long-Term Liabilities					
2014 Capital Lease - Loader	142,316		(34,515)	107,801	35,215
Compensated Absences	2,955,702	1,517,006	(1,508,780)	2,963,928	1,638,840
OPWC - Loan	776,517		(40,870)	735,647	40,869
Total Other Long-Term Liabilities	<u>3,874,535</u>	<u>1,517,006</u>	<u>(1,584,165)</u>	<u>3,807,376</u>	<u>1,714,924</u>
Total Long-Term Liabilities	<u>\$33,285,143</u>	<u>\$7,001,743</u>	<u>(\$3,040,441)</u>	<u>\$37,246,445</u>	<u>\$3,081,034</u>

General obligation bonds General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from both property taxes and municipal income taxes approved for that purpose.

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Special assessment bonds The special assessment bonds are backed by the full faith and credit of the City and will be paid from the special assessment bond retirement fund from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, the City would make the payment.

Refunded bonds In 2008, the City defeased a general obligation bond issue by placing the proceeds of new bonds in an irrevocable escrow account to provide for all future debt service payments on the old bonds. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the statement of net position. As of December 31, 2016 the amount of defeased debt outstanding on this issue amounted to \$1,937,000.

OPWC Loan - In 2005, the Cities of Middleburg Heights, Berea and Brook Park, along with Cuyahoga County entered into an agreement that involves various improvements between Bagley Road and State Route 237. The City of Berea entered into an agreement with the Ohio Public Works Commission (OPWC) in the amount of \$1,900,900 to help fund the construction costs. The City of Middleburg Heights is obligated to pay annual debt service payments of 43 percent to the City of Berea. The City of Berea in turn makes the entire debt service payment to OPWC. The Ohio Public Works Commission (OPWC) loan is for 20 years at zero percent paid from the capital improvement fund. The final amortization schedule is now incorporated in the following amortization schedule.

The City's overall legal debt margin was \$52,599,010 at December 31, 2016. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2016, are as follows:

Year	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2017	\$1,250,000	\$222,000	\$116,110	\$15,065
2018	1,230,000	181,025	135,077	9,760
2019	305,000	138,425	28,101	3,561
2020	310,000	131,575	15,000	2,025
2021	315,000	124,625	15,000	1,350
2022-2026	1,575,000	487,500	15,000	675
2027-2031	1,785,000	241,850		
2032-2035	390,000	13,650		
Total	\$7,160,000	\$1,540,650	\$324,288	\$32,436

Year	OPWC Loan		Totals	
	Principal	Interest	Principal	Interest
2017	\$40,869	\$0	\$1,406,979	\$237,065
2018	40,869		1,405,946	190,785
2019	40,869		373,970	141,986
2020	40,869		365,869	133,600
2021	40,869		370,869	125,975
2022-2026	204,347		1,794,347	488,175
2027-2031	204,347		1,989,347	241,850
2032-2035	122,608		512,608	13,650
Total	\$735,647	\$0	\$8,219,935	\$1,573,086

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Conduit debt obligations In October of 2009, the City authorized \$6,400,000 for a Master Lease-Purchase agreement dated November 1, 2009 with National City Equipment Finance for the acquisition of various hospital facilities for the Southwest General Health Center. The City is not obligated in any way to repay this debt.

In December of 2011, the City issued \$63,045,000 of Hospital Facilities Revenue and Refunding Bonds, Series 2011, for the purpose of providing funds to pay for the costs of hospital facilities to be used by Southwest General Health Center and currently refund the Hospital Improvement Refunding Revenue Bonds, Series 1995. The City is not obligated in any way to repay this debt.

In December of 2012, the City issued \$87,514,300 of Hospital Facilities Revenue and Refunding Bonds, Series 2012A, and certain lease purchase obligations for the purpose of providing funds to pay for the costs of hospital facilities to be used by Southwest General Health Center. The City is not obligated in any way to repay this debt.

December 31, 2016, the aggregate principal amount of conduit debt obligations outstanding is \$142,789,877.

Note 15 – Capital Leases

In 2015, the City entered into a Capital Lease Agreement for financing the acquisition of a 2014 John Deere Loader with a down payment of \$37,401. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception dates. The asset acquired through the capital lease is reported as follows:

	Governmental Activities
	2014
	Loader
Asset:	
Machinery and Equipment	\$179,717
Less: Accum Depreciation	(34,446)
	\$145,271

The future minimum lease obligations and the present value of these minimum lease payments as of December 31, 2016, are as follows:

	Governmental Activities
	Loader
Year Ending December 31:	
2017	\$37,401
2018	37,401
2019	37,401
Total Minimum Lease Payments	112,203
Less: Amount Representing Interest	(4,402)
Present Value of Minimum Lease Payments	\$107,801

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 16 – Notes Payable

Note activity for the year ended December 31, 2016 are as follows:

	Outstanding 12/31/15	Additions	(Reductions)	Outstanding 12/31/16
Bagley/Fry Street Improvement 2%	\$0	\$2,475,000	\$0	\$2,475,000

All notes are backed by the full faith and credit of the City and mature within one year. The liability for the notes outstanding are reflected in the Bagley/Fry Street Improvement Fund, which received the proceeds.

Note 17 - Contractual Commitments

The City had the following contractual commitments outstanding at December 31, 2016:

Project	Remaining on Contract
Street Improvement Program	\$40,961
Bagley Road Bridge Improvements	62,443
Big Creek Sanitary Sewers	16,221
Bagley / Fry Road Project	311,017
Aviation Management	36,000
Smith Road Project	20,790
Bagley / Baldwin Traffic Signal	30,000
Fowles Road Widening Project	69,242
	\$586,674

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

Funds	Encumbrance Commitments
General fund	\$503,927
Recreation Fund	22,344
Street Infrastructure Improvements Fund	239,658
Bagley/Fry Roadway Fund	474,261
Nonmajor Governmental Funds	205,538
	\$1,445,728

Note 18 – Interfund Transfers and Balances

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

During calendar year 2016, a transfer of \$1,100,000 was made from the General Fund to the Street Construction Fund. This transfer was made to provide additional resources to fund current operations. In addition, an inter-fund receivable/payable of \$100,000 from the General Fund to the Bagley/Fry Roadway Fund was made in 2016 and was repaid in 2016.

Note 19 – Restatement of Prior Year Net Position

	Governmental Activities
Net Position, December 31, 2015	\$46,497,970
Restatement Adjustment:	
Capital Assets	189,470
Net Position, December 31, 2015 as restated	\$46,687,440

In 2014 and 2015 the City capitalized several streets as part of the neighborhood street improvement project. As part of the project, engineering costs were not fully allocated to the capitalized streets and have been revised accordingly.

Note 20 - Jointly Governed Organizations

A. Southwest General Health Center

The Southwest General Health Center is an Ohio non-profit corporation providing health services to the communities of Berea, Brook Park, Middleburg Heights, Olmsted Falls, Strongsville, and Columbia Township. Each of these governments supports the hospital through property tax levies and has representation on the Board of Trustees.

The Health Center is governed by a Board of Trustees consisting of the following: one person who is a member of the legislative body from each of the political subdivisions, one person residing in each political subdivision who is not a member of the legislative body, three people who are residents of any of the participating political subdivisions, the president of the corporation, the president of the medical staff, the vice president of the medical staff, and the executive vice president of the corporation. The legislative bodies of each political subdivision elect their members to serve on the Board of Trustees of the Health Center. The Board exercises total control over the operation of the Health Center including budgeting, appropriating, contracting and designating management. Each City’s degree of control is limited to its representation on the Board. The Southwest General Hospital special revenue fund accounts for property tax resources that are distributed to the Health Center. In 2016, the City of Middleburg Heights remitted \$178,511 to the Health Center.

B. Woodvale Union Cemetary

The Woodvale Union Cemetery is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Woodvale Union Cemetery provides burial grounds and burial services to the public. The Cemetery is a jointly governed organization among the cities of Middleburg Heights and Berea. A joint council consisting of the council members from the member communities governs the Cemetery. The joint council elects and appoints the

City of Middleburg Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

members of the Board of Trustees. The Board consists of the following: one elected member of the legislative body from each of the political subdivisions, and one appointed resident from either of the political subdivisions who is not a member of the legislative body. The joint council exercises total control over the operation of the Cemetery including budgeting, appropriating, and contracting. Each City's degree of control is limited to its representation on the Board. In 2016, the City of Middleburg Heights contributed \$10,000 for operating expenses to the Cemetery and \$10,000 towards the installation of a Veteran's Memorial Monument.

C. Southwest Council of Governments

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. The Council's Board is comprised of one member from each of the 16 participating cities. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Budgets are adopted by the Board. Each City's degree of control is limited to its representation on the Board. The Council has established two subsidiary organizations, the Hazardous Material Response Team ("HAZMAT"), which provides hazardous material protection and assistance, and the Southwest Enforcement Bureau, which provides extra assistance to cities in the form of a SWAT team. In 2016, the City of Middleburg Heights contributed \$16,000 to the Council. The Council's financial statements may be obtained by contacting the Southwest Council of Governments, 11 Berea Commons, Berea, Ohio.

D. Northeast Ohio Public Energy Council

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 174 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities. NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Ronald McVoy, Board Chairman, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

E. Suburban Water Regional Council of Governments

The City is a member of the Suburban Water Regional Council of Governments. The organization is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. The Council was formed to represent municipal corporation members in communications, understandings, uniform approaches and exchange of information between the council and the City of Cleveland with respect to water service, system and local operations, rates, maintenance and capital improvements. There are no dues or fees assessed against the members of the council. The Council consists of 70 communities.

The Council's Board is comprised of 18 trustees elected from nine regional groups. The Board oversees and manages the operation of the Council. The degree of control exercised by each community is limited to its representation in the Council and on the Board. Financial information can be obtained by contacting the Office of the Executive Secretary of the Cuyahoga County Mayors and City Managers Association, 10107 Brecksville Road, Brecksville, Ohio 44141.

Required Supplementary Information



(THIS PAGE INTENTIONALLY LEFT BLANK)

City of Middleburg Heights
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Last Three Years (1)

	2016	2015	2014
<i>Ohio Public Employees' Retirement System (OPERS)</i>			
City's Proportion of the Net Pension Liability	0.0572220%	0.0559400%	0.0559400%
City's Proportionate Share of the Net Pension Liability	\$ 9,911,572	\$ 6,746,989	\$ 6,594,597
City's Covered-Employee Payroll	\$ 7,130,408	\$ 6,931,658	\$ 6,656,215
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	139.00%	97.34%	99.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%
<i>Ohio Police and Fire Pension Fund (OPF)</i>			
City's Proportion of the Net Pension Liability	0.2455100%	0.2600447%	0.2600447%
City's Proportionate Share of the Net Pension Liability	\$ 15,793,831	\$ 13,471,400	\$ 12,664,993
City's Covered-Employee Payroll	\$ 5,136,362	\$ 5,104,401	\$ 4,963,462
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	307.49%	263.92%	255.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	72.20%	73.00%

(1) Information prior to 2014 is not available.

City of Middleburg Heights
Cuyahoga County, Ohio
Required Supplementary Information
Schedule of City Contributions
Last Ten Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 865,049	\$ 855,649	\$ 831,799	\$ 865,308
Contributions in Relation to the Contractually Required Contribution	<u>(865,049)</u>	<u>(855,649)</u>	<u>(831,799)</u>	<u>(865,308)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 7,208,742	\$ 7,130,408	\$ 6,931,658	\$ 6,656,215
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 1,089,883	\$ 1,089,823	\$ 1,088,457	\$ 1,069,224
Contributions in relation to the contractually required contribution	<u>(1,089,883)</u>	<u>(1,089,823)</u>	<u>(1,088,457)</u>	<u>(1,069,224)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 5,171,594	\$ 5,136,362	\$ 5,104,401	\$ 4,963,462
Contributions as a percentage of covered-employee payroll	21.07%	21.22%	21.32%	21.54%

(n/a) Information prior to 2013 is not available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
\$ 1,039,163	\$ 1,035,237	\$ 1,039,423	\$ 996,565	\$ 978,894	\$ 940,805
<u>(1,039,163)</u>	<u>(1,035,237)</u>	<u>(1,039,423)</u>	<u>(996,565)</u>	<u>(978,894)</u>	<u>(940,805)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 4,821,539	\$ 4,804,760	\$ 4,846,103	\$ 4,633,630	\$ 4,551,984	\$ 3,949,360
21.55%	21.55%	21.45%	21.51%	21.50%	23.82%

Combining Statements and Individual Fund Schedules – Non-major Governmental Funds

Nonmajor Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources that are non-spendable, committed or restricted for specified purposes, other than for debt service or capital projects.

Street Construction Fund To account for the portion of state gasoline taxes and motor vehicle license fees restricted for street maintenance and repair.

State Highway Fund To account for the portion of state gasoline taxes and motor vehicle license fees restricted for maintenance of State highways within the City.

Clerk of Court Computer Fund To account for the portion of court costs paid by each offender restricted for procurement and maintenance of computer services for the office of the Clerk of the Municipal Court.

Law Enforcement Fund Required by State law, to account for court fees obtained from DUI cases, as well as resources obtained from drug fines and seized contraband. Expenditures are restricted for law enforcement purposes.

Medical Transport Fund To account for the collection of proceeds from our emergency medical care transport units and related expenditures.

Police Pension Fund To account for property taxes levied for the payment of current employer contributions to the state administered police disability and pension fund.

Fire Pension Fund To account for property taxes levied for the payment of current employer contributions to the state administered fire fighters disability and pension fund.

Tree Planting Fund To account for fees charged to developers and builders to plant trees on tree lawns.

Veteran's Memorial Fund To account for donations to build a Veteran's Memorial in the City.

Southwest General Hospital Fund To account for property taxes levied for the maintenance and support of the Southwest General Health Center.

(THIS PAGE INTENTIONALLY LEFT BLANK)

City of Middleburg Heights, Ohio

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2016

	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
Assets:		
Equity in Pooled Cash and Investments	\$858,718	\$858,718
Materials and Supplies Inventory	225,188	225,188
Accounts Receivable	78,660	78,660
Intergovernmental Receivable	378,489	378,489
Property Taxes Receivable	444,506	444,506
<i>Total Assets</i>	<u>1,985,561</u>	<u>1,985,561</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$1,985,561</u></u>	<u><u>\$1,985,561</u></u>
Liabilities:		
Accounts Payable	\$47,695	\$47,695
Accrued Wages	14,524	14,524
<i>Total Liabilities</i>	<u>62,219</u>	<u>62,219</u>
Deferred Inflows of Resources:		
Property Taxes	422,771	422,771
Unavailable Revenue-Delinquent Property Taxes	21,735	21,735
Unavailable Revenue-Other	291,776	291,776
<i>Total Deferred Inflows of Resources</i>	<u>736,282</u>	<u>736,282</u>
Fund Balances		
Non-Spendable	225,188	225,188
Restricted	806,768	806,768
Committed	155,104	155,104
<i>Total Fund Balances</i>	<u>1,187,060</u>	<u>1,187,060</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$1,985,561</u></u>	<u><u>\$1,985,561</u></u>

City of Middleburg Heights, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2016

	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
Revenues		
Property Taxes	\$435,920	\$435,920
Intergovernmental	889,411	889,411
Interest	4	4
Fines, Licenses and Permits	8,643	8,643
Charges for Services	198,996	198,996
Other	37,044	37,044
<i>Total Revenues</i>	<u>1,570,018</u>	<u>1,570,018</u>
Expenditures		
Current:		
Security of Persons and Property:		
Police	150,374	150,374
Fire	223,403	223,403
Public Health and Welfare	178,611	178,611
Streets and Highways	1,870,612	1,870,612
General Government	8,397	8,397
Capital Outlay	144,938	144,938
<i>Total Expenditures</i>	<u>2,576,335</u>	<u>2,576,335</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,006,317)</u>	<u>(1,006,317)</u>
Other Financing Sources		
Transfers In	1,100,000	1,100,000
<i>Total Other Financing Sources</i>	<u>1,100,000</u>	<u>1,100,000</u>
<i>Net Change in Fund Balances</i>	93,683	93,683
<i>Fund Balances Beginning of Year</i>	<u>1,093,377</u>	<u>1,093,377</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,187,060</u></u>	<u><u>\$1,187,060</u></u>

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2016

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport
Assets:					
Equity in Pooled Cash and Investments	\$407,071	\$120,504	\$61,054	\$116,517	\$108,127
Materials and Supplies Inventory	192,342	32,846			
Accounts Receivable					78,660
Intergovernmental Receivable	330,391	26,788		25	
Property Taxes Receivable					
<i>Total Assets</i>	<u>929,804</u>	<u>180,138</u>	<u>61,054</u>	<u>116,542</u>	<u>186,787</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$929,804</u></u>	<u><u>\$180,138</u></u>	<u><u>\$61,054</u></u>	<u><u>\$116,542</u></u>	<u><u>\$186,787</u></u>
Liabilities:					
Accounts Payable	\$39,748		\$426		\$7,521
Accrued Wages	13,963				561
<i>Total Liabilities</i>	<u>53,711</u>	<u>0</u>	<u>426</u>	<u>0</u>	<u>8,082</u>
Deferred Inflows of Resources:					
Property Taxes					
Unavailable Revenue-Delinquent Property Taxes					
Unavailable Revenue-Other	210,536	17,071			42,884
<i>Total Deferred Inflows of Resources</i>	<u>210,536</u>	<u>17,071</u>	<u>0</u>	<u>0</u>	<u>42,884</u>
Fund Balances:					
Non-Spendable	192,342	32,846			
Restricted	473,215	130,221	60,628	116,542	
Committed					135,821
<i>Total Fund Balances</i>	<u>665,557</u>	<u>163,067</u>	<u>60,628</u>	<u>116,542</u>	<u>135,821</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$929,804</u></u>	<u><u>\$180,138</u></u>	<u><u>\$61,054</u></u>	<u><u>\$116,542</u></u>	<u><u>\$186,787</u></u>

City of Middleburg Heights, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2016

	Police Pension	Fire Pension	Tree Planting	Veteran's Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
Assets:						
Equity in Pooled Cash and Investments	\$13,081	\$13,081	\$12,168	\$7,115	\$0	\$858,718
Materials and Supplies Inventory						225,188
Accounts Receivable						78,660
Intergovernmental Receivable	7,454	7,454			6,377	378,489
Property Taxes Receivable	137,125	137,125			170,256	444,506
<i>Total Assets</i>	<u>157,660</u>	<u>157,660</u>	<u>12,168</u>	<u>7,115</u>	<u>176,633</u>	<u>1,985,561</u>
Total Assets and Deferred Outflows of Resources	<u>\$157,660</u>	<u>\$157,660</u>	<u>\$12,168</u>	<u>\$7,115</u>	<u>\$176,633</u>	<u>\$1,985,561</u>
Liabilities:						
Accounts Payable						\$47,695
Accrued Wages						14,524
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>62,219</u>
Deferred Inflows of Resources:						
Property Taxes	130,341	130,341			162,089	422,771
Unavailable Revenue-Delinquent Property Taxes	6,784	6,784			8,167	21,735
Unavailable Revenue-Other	7,454	7,454			6,377	291,776
<i>Total Deferred Inflows of Resources</i>	<u>144,579</u>	<u>144,579</u>	<u>0</u>	<u>0</u>	<u>176,633</u>	<u>736,282</u>
Fund Balances:						
Non-Spendable						225,188
Restricted	13,081	13,081				806,768
Committed			12,168	7,115		155,104
<i>Total Fund Balances</i>	<u>13,081</u>	<u>13,081</u>	<u>12,168</u>	<u>7,115</u>	<u>0</u>	<u>1,187,060</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$157,660</u>	<u>\$157,660</u>	<u>\$12,168</u>	<u>\$7,115</u>	<u>\$176,633</u>	<u>\$1,985,561</u>

City of Middleburg Heights, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport
Revenues					
Property Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	782,048	63,408		2,320	
Interest	3	1			
Fines, Licenses and Permits			6,209	2,434	
Charges for Services	7,365				189,706
Other	33,726	2,805			513
<i>Total Revenues</i>	<u>823,142</u>	<u>66,214</u>	<u>6,209</u>	<u>4,754</u>	<u>190,219</u>
Expenditures					
Current:					
Security of Persons and Property:					
Police				5,285	
Fire					78,314
Public Health and Welfare					
Streets and Highways	1,840,358	30,254			
General Government			8,278		
Capital Outlay					144,938
<i>Total Expenditures</i>	<u>1,840,358</u>	<u>30,254</u>	<u>8,278</u>	<u>5,285</u>	<u>223,252</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,017,216)</u>	<u>35,960</u>	<u>(2,069)</u>	<u>(531)</u>	<u>(33,033)</u>
Other Financing Sources					
Transfers In	1,100,000				
<i>Total Other Financing Sources</i>	<u>1,100,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	82,784	35,960	(2,069)	(531)	(33,033)
<i>Fund Balances Beginning of Year</i>	<u>582,773</u>	<u>127,107</u>	<u>62,697</u>	<u>117,073</u>	<u>168,854</u>
<i>Fund Balances End of Year</i>	<u>\$665,557</u>	<u>\$163,067</u>	<u>\$60,628</u>	<u>\$116,542</u>	<u>\$135,821</u>

(continued)

City of Middleburg Heights, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
For the Year Ended December 31, 2016

	Police Pension	Fire Pension	Tree Planting	Veteran's Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
Revenues						
Property Taxes	\$134,891	\$134,891	\$0	\$0	\$166,138	\$435,920
Intergovernmental	14,581	14,581			12,473	889,411
Interest						4
Fines, Licenses and Permits						8,643
Charges for Services			1,925			198,996
Other						37,044
<i>Total Revenues</i>	<u>149,472</u>	<u>149,472</u>	<u>1,925</u>	<u>0</u>	<u>178,611</u>	<u>1,570,018</u>
Expenditures						
Current:						
Security of Persons and Property:						
Police	145,089					150,374
Fire		145,089				223,403
Public Health and Welfare					178,611	178,611
Streets and Highways						1,870,612
General Government			119			8,397
Capital Outlay						144,938
<i>Total Expenditures</i>	<u>145,089</u>	<u>145,089</u>	<u>119</u>	<u>0</u>	<u>178,611</u>	<u>2,576,335</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	<u>4,383</u>	<u>4,383</u>	<u>1,806</u>	<u>0</u>	<u>0</u>	<u>(1,006,317)</u>
Other Financing Sources						
Transfers In						1,100,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,100,000</u>
<i>Net Change in Fund Balances</i>	4,383	4,383	1,806	0	0	93,683
<i>Fund Balances Beginning of Year</i>	<u>8,698</u>	<u>8,698</u>	<u>10,362</u>	<u>7,115</u>	<u>0</u>	<u>1,093,377</u>
<i>Fund Balances End of Year</i>	<u>\$13,081</u>	<u>\$13,081</u>	<u>\$12,168</u>	<u>\$7,115</u>	<u>\$0</u>	<u>\$1,187,060</u>

**Individual Fund Schedules of Revenues, Expenditures and
Changes in Fund Balance-Budget (Non-GAAP Basis) and Actual**

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,425,122	\$1,425,122	\$1,506,387	\$81,265
Income Taxes	15,368,632	15,368,632	16,108,197	739,565
Other Local Taxes	630,000	630,000	662,834	32,834
Intergovernmental	430,212	430,212	458,738	28,526
Interest	36,000	36,000	47,006	11,006
Fines, Licenses and Permits	1,027,025	1,027,025	863,848	(163,177)
Charges for Services	403,050	403,050	424,708	21,658
Other	319,800	479,471	534,060	54,589
<i>Total Revenues</i>	<u>19,639,841</u>	<u>19,799,512</u>	<u>20,605,778</u>	<u>806,266</u>
Expenditures				
Current:				
Security of Persons and Property:				
Police:				
Personal Services	4,972,612	4,985,822	4,728,403	257,419
Other	494,005	494,005	385,530	108,475
Total Police	<u>5,466,617</u>	<u>5,479,827</u>	<u>5,113,933</u>	<u>365,894</u>
Fire:				
Personal Services	3,756,677	3,756,677	3,582,098	174,579
Other	369,206	374,256	328,442	45,814
Total Fire	<u>4,125,883</u>	<u>4,130,933</u>	<u>3,910,540</u>	<u>220,393</u>
Safety Director:				
Personal Services	74,913	74,913	74,857	56
Other	575	575	223	352
Total Safety Director	<u>75,488</u>	<u>75,488</u>	<u>75,080</u>	<u>408</u>
Total Security of Persons and Property	<u>9,667,988</u>	<u>9,686,248</u>	<u>9,099,553</u>	<u>586,695</u>
Public Health and Welfare:				
Senior Bus:				
Other	79,054	95,804	95,770	34
Total Senior Bus	<u>79,054</u>	<u>95,804</u>	<u>95,770</u>	<u>34</u>
Senior Programs				
Personal Services				0
Other	304	304		304
Total Senior Programs	<u>304</u>	<u>304</u>	<u>0</u>	<u>304</u>
Total Public Health and Welfare	<u>\$79,358</u>	<u>\$96,108</u>	<u>\$95,770</u>	<u>\$338</u>

(continued)

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Community Development:				
Planning and Zoning:				
Personal Services	\$104,447	\$104,447	\$99,175	\$5,272
Other	4,822	4,822	1,504	3,318
Total Planning and Zoning	109,269	109,269	100,679	8,590
Building:				
Personal Services	655,363	655,363	648,724	6,639
Other	27,713	27,713	20,074	7,639
Total Building	683,076	683,076	668,798	14,278
Engineer:				
Other	53,200	53,200	50,284	2,916
Total Engineer	53,200	53,200	50,284	2,916
Total Community Development	845,545	845,545	819,761	25,784
Economic Development:				
Personal Services	158,504	158,504	158,119	385
Other	246,434	246,434	208,878	37,556
Total Economic Development	404,938	404,938	366,997	37,941
Sanitation:				
Other	1,168,719	1,168,719	1,076,679	92,040
Total Sanitation	1,168,719	1,168,719	1,076,679	92,040
General Government:				
Mayor's Court:				
Personal Services	271,906	271,906	256,318	15,588
Other	15,274	15,274	13,021	2,253
Total Mayor's Court	287,180	287,180	269,339	17,841
Mayor:				
Personal Services	542,432	542,432	524,117	18,315
Other	24,020	24,020	17,932	6,088
Total Mayor	\$566,452	\$566,452	\$542,049	\$24,403

(continued)

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Finance:				
Personal Services	\$635,043	\$635,043	\$632,264	\$2,779
Other	37,300	37,300	33,833	3,467
Total Finance	672,343	672,343	666,097	6,246
Law:				
Personal Services	329,850	329,850	328,365	1,485
Other	54,222	64,222	60,700	3,522
Total Law	384,072	394,072	389,065	5,007
Service:				
Personal Services	3,137,461	3,137,461	3,113,349	24,112
Other	411,566	411,566	346,154	65,412
Total Service	3,549,027	3,549,027	3,459,503	89,524
Facilities Maintenance:				
Personal Services	417,122	417,122	409,161	7,961
Other	263,665	263,665	229,554	34,111
Total Facilities Maintenance	680,787	680,787	638,715	42,072
Council:				
Personal Services	414,603	424,003	423,750	253
Other	13,240	13,240	10,292	2,948
Total Council	427,843	437,243	434,042	3,201
Boards and Commissions:				
Personal Services	3,129	3,129	1,468	1,661
Other	8,950	8,950	8,259	691
Total Boards and Commissions	12,079	12,079	9,727	2,352
City Hall:				
Personal Services	100,000	125,900	125,858	42
Other	909,052	1,021,652	829,104	192,548
Total City Hall	1,009,052	1,147,552	954,962	192,590
Statutory Accounts:				
Other	745,958	745,958	728,935	17,023
Total Statutory Accounts	745,958	745,958	728,935	17,023
Total General Government	8,334,793	8,492,693	8,092,434	400,259
Total Expenditures	\$20,501,341	\$20,694,251	\$19,551,194	\$1,143,057

(continued)

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Excess of Revenues Over (Under) Expenditures</i>	(\$861,500)	(\$894,739)	\$1,054,584	\$1,949,323
Other Financing Sources (Uses)				
Advances In		100,000	100,000	0
Advances Out		(100,000)	(100,000)	0
Transfers Out	(1,100,000)	(1,100,000)	(1,100,000)	0
<i>Total Other Financing Sources (Uses)</i>	(1,100,000)	(1,100,000)	(1,100,000)	0
<i>Net Change in Fund Balance</i>	(1,961,500)	(1,994,739)	(45,416)	1,949,323
<i>Fund Balance Beginning of Year</i>	4,043,994	4,043,994	4,043,994	0
Prior Year Encumbrances Appropriated	541,420	541,420	541,420	0
<i>Fund Balance End of Year</i>	\$2,623,914	\$2,590,675	\$4,539,998	\$1,949,323

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Recreation Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Income Taxes	\$1,700,000	\$1,700,000	\$1,469,777	(\$230,223)
Charges for Services	1,451,300	1,451,300	1,483,219	31,919
Other	2,800	2,800	3,594	794
<i>Total Revenues</i>	<u>3,154,100</u>	<u>3,154,100</u>	<u>2,956,590</u>	<u>(197,510)</u>
Expenditures				
Current:				
Culture and Recreation:				
Personal Services	2,244,403	2,294,403	2,274,103	20,300
Other	860,581	860,581	737,068	123,513
<i>Total Expenditures</i>	<u>3,104,984</u>	<u>3,154,984</u>	<u>3,011,171</u>	<u>143,813</u>
<i>Net Change in Fund Balance</i>	49,116	(884)	(54,581)	(53,697)
<i>Fund Balance Beginning of Year</i>	150,000	150,000	150,000	0
Prior Year Encumbrances Appropriated	<u>54,581</u>	<u>54,581</u>	<u>54,581</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$253,697</u>	<u>\$203,697</u>	<u>\$150,000</u>	<u>(\$53,697)</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Bond Retirement Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$212,705	\$212,705	\$224,829	\$12,124
Income Taxes	1,244,725	1,244,725	1,244,725	\$0
Special Assessments	155,000	155,000	155,858	858
Intergovernmental	47,712	47,712	47,175	(537)
Interest	3,989	3,989	3,989	0
<i>Total Revenues</i>	<u>1,664,131</u>	<u>1,664,131</u>	<u>1,676,576</u>	<u>12,445</u>
Expenditures				
Current:				
General Government:				
Other	12,300	30,777	19,737	11,040
Debt Service:				
Principal Retirement	1,425,200	1,425,200	1,425,198	2
Interest and Fiscal Charges	284,500	309,218	284,352	24,866
<i>Total Expenditures</i>	<u>1,722,000</u>	<u>1,765,195</u>	<u>1,729,287</u>	<u>35,908</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(57,869)</u>	<u>(101,064)</u>	<u>(52,711)</u>	<u>48,353</u>
Other Financing Sources (Uses)				
Premium on the Issuance of Debt	0	43,195	43,195	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>43,195</u>	<u>43,195</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(57,869)	(57,869)	(9,516)	48,353
<i>Fund Balance Beginning of Year</i>	<u>536,506</u>	<u>536,506</u>	<u>536,506</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$478,637</u>	<u>\$478,637</u>	<u>\$526,990</u>	<u>\$48,353</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Capital Improvements Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Income Taxes	\$468,151	\$491,151	\$481,674	(\$9,477)
Charges for Services				0
Other	<u>15,000</u>	<u>15,000</u>	<u>41,457</u>	<u>26,457</u>
<i>Total Revenues</i>	<u>483,151</u>	<u>506,151</u>	<u>523,131</u>	<u>16,980</u>
Expenditures				
Capital Outlay	<u>804,414</u>	<u>954,114</u>	<u>901,344</u>	<u>52,770</u>
<i>Total Expenditures</i>	<u>804,414</u>	<u>954,114</u>	<u>901,344</u>	<u>52,770</u>
<i>Net Change in Fund Balance</i>	(321,263)	(447,963)	(378,213)	69,750
<i>Fund Balance Beginning of Year</i>	194,046	194,046	194,046	0
Prior Year Encumbrances Appropriated	<u>254,914</u>	<u>254,914</u>	<u>254,914</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$127,697</u>	<u>\$997</u>	<u>\$70,747</u>	<u>\$69,750</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Infrastructure Improvement Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Income Taxes	\$531,577	\$531,577	\$558,624	\$27,047
Charges for Services	1,600	1,600	530	(1,070)
Interest	1,000	1,000		(1,000)
Other	100,000	15,000	16,732	1,732
<i>Total Revenues</i>	<u>634,177</u>	<u>549,177</u>	<u>575,886</u>	<u>26,709</u>
Expenditures				
Current:				
Capital Outlay	1,375,832	1,110,606	1,110,606	0
Total Capital Outlay	<u>1,375,832</u>	<u>1,110,606</u>	<u>1,110,606</u>	<u>0</u>
<i>Total Expenditures</i>	<u>1,375,832</u>	<u>1,110,606</u>	<u>1,110,606</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(741,655)	(561,429)	(534,720)	26,709
<i>Fund Balance Beginning of Year</i>	622,643	622,643	622,643	0
Prior Year Encumbrances Appropriated	<u>715,832</u>	<u>715,832</u>	<u>715,832</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$596,820</u>	<u>\$777,046</u>	<u>\$803,755</u>	<u>\$26,709</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Bagley/Fry Roadway Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$0	\$0	\$3,291	3,291
<i>Total Revenues</i>	<u>0</u>	<u>0</u>	<u>3,291</u>	<u>3,291</u>
Expenditures				
Current:				
Capital Outlay	0	2,475,000	2,474,933	67
Total Capital Outlay	<u>0</u>	<u>2,475,000</u>	<u>2,474,933</u>	<u>67</u>
<i>Total Expenditures</i>	<u>0</u>	<u>2,475,000</u>	<u>2,474,933</u>	<u>67</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>0</u>	<u>(2,475,000)</u>	<u>(2,471,642)</u>	<u>3,358</u>
Other Financing Sources (Uses)				
Advances In		100,000	100,000	0
Advances Out	0	(100,000)	(100,000)	0
Note Proceeds		2,475,000	2,475,000	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>2,475,000</u>	<u>2,475,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	(0)	3,358	3,358
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>(\$0)</u>	<u>\$3,358</u>	<u>\$3,358</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Construction Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$772,000	\$772,000	\$778,751	\$6,751
Interest	100	100	3	(97)
Charges for Services	12,000	12,000	7,365	(4,635)
Other	25,000	40,000	33,726	(6,274)
<i>Total Revenues</i>	<u>809,100</u>	<u>824,100</u>	<u>819,845</u>	<u>(4,255)</u>
Expenditures				
Current:				
Transportation:				
Streets and Highways:				
Personal Services	907,739	907,739	898,169	9,570
Other	1,228,642	1,228,642	1,002,776	225,866
<i>Total Expenditures</i>	<u>2,136,381</u>	<u>2,136,381</u>	<u>1,900,945</u>	<u>235,436</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,327,281)</u>	<u>(1,312,281)</u>	<u>(1,081,100)</u>	<u>231,181</u>
Other Financing Sources				
Transfers In	1,100,000	1,100,000	1,100,000	0
<i>Net Change in Fund Balance</i>	(227,281)	(212,281)	18,900	231,181
<i>Fund Balance Beginning of Year</i>	183,899	183,899	183,899	0
Prior Year Encumbrances Appropriated	83,641	83,641	83,641	0
<i>Fund Balance End of Year</i>	<u>\$40,259</u>	<u>\$55,259</u>	<u>\$286,440</u>	<u>\$231,181</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
State Highway Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$62,000	\$62,000	\$63,142	\$1,142
Interest	70	70	1	(69)
Other	2,000	2,000	2,805	805
<i>Total Revenues</i>	<u>64,070</u>	<u>64,070</u>	<u>65,948</u>	<u>1,878</u>
Expenditures				
Current:				
Transportation:				
Streets and Highways:				
Other	145,703	145,703	104,374	41,329
<i>Net Change in Fund Balance</i>	(81,633)	(81,633)	(38,426)	43,207
<i>Fund Balance Beginning of Year</i>	53,227	53,227	53,227	0
Prior Year Encumbrances Appropriated	45,703	45,703	45,703	0
<i>Fund Balance End of Year</i>	<u>\$17,297</u>	<u>\$17,297</u>	<u>\$60,504</u>	<u>\$43,207</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Clerk of Courts Computer Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines, Licenses and Permits	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$6,209</u>	<u>\$1,209</u>
Expenditures				
Current:				
General Government:				
Other	<u>12,632</u>	<u>12,632</u>	<u>8,352</u>	<u>4,280</u>
<i>Net Change in Fund Balance</i>	(7,632)	(7,632)	(2,143)	5,489
<i>Fund Balance Beginning of Year</i>	61,985	61,985	61,985	0
Prior Year Encumbrances Appropriated	<u>712</u>	<u>712</u>	<u>712</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$55,065</u></u>	<u><u>\$55,065</u></u>	<u><u>\$60,554</u></u>	<u><u>\$5,489</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Law Enforcement Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$10	\$10	\$0	(\$10)
Intergovernmental	0	0	2,320	2,320
Fines, Licenses and Permits	3,600	3,600	2,409	(1,191)
<i>Total Revenues</i>	<u>3,610</u>	<u>3,610</u>	<u>4,729</u>	<u>1,119</u>
Expenditures				
Public Safety:				
Other	2,000	7,300	5,285	2,015
Total Transportation	2,000	7,300	5,285	2,015
<i>Total Expenditures</i>	<u>2,000</u>	<u>7,300</u>	<u>5,285</u>	<u>2,015</u>
<i>Net Change in Fund Balance</i>	1,610	(3,690)	(556)	3,134
<i>Fund Balance Beginning of Year</i>	<u>117,073</u>	<u>117,073</u>	<u>117,073</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$118,683</u></u>	<u><u>\$113,383</u></u>	<u><u>\$116,517</u></u>	<u><u>\$3,134</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Medical Transport Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$157,500	\$157,500	\$171,066	\$13,566
Intergovernmental	2,000	2,000	0	(2,000)
Other			513	513
<i>Total Revenues</i>	<u>159,500</u>	<u>159,500</u>	<u>171,579</u>	<u>12,079</u>
Expenditures				
Current:				
Transportation:				
Public Safety:				
Personal Services	39,659	39,659	38,818	841
Other	42,500	52,100	49,955	2,145
Capital Outlay	27,199	152,752	149,456	3,296
<i>Total Expenditures</i>	<u>109,358</u>	<u>244,511</u>	<u>238,229</u>	<u>6,282</u>
<i>Net Change in Fund Balance</i>	50,142	(85,011)	(66,650)	18,361
<i>Fund Balance Beginning of Year</i>	156,651	156,651	156,651	0
Prior Year Encumbrances Appropriated	<u>3,699</u>	<u>3,699</u>	<u>3,699</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$210,492</u>	<u>\$75,339</u>	<u>\$93,700</u>	<u>\$18,361</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Pension Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$127,623	\$127,623	\$134,891	\$7,268
Intergovernmental	14,903	14,903	14,581	(322)
<i>Total Revenues</i>	<u>142,526</u>	<u>142,526</u>	<u>149,472</u>	<u>6,946</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	145,000	145,000	145,000	0
Other	135	135	89	46
<i>Total Expenditures</i>	<u>145,135</u>	<u>145,135</u>	<u>145,089</u>	<u>46</u>
<i>Net Change in Fund Balance</i>	(2,609)	(2,609)	4,383	6,992
<i>Fund Balance Beginning of Year</i>	<u>8,698</u>	<u>8,698</u>	<u>8,698</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$6,089</u></u>	<u><u>\$6,089</u></u>	<u><u>\$13,081</u></u>	<u><u>\$6,992</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Pension Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$127,623	\$127,623	\$134,891	\$7,268
Intergovernmental	14,903	14,903	14,581	(322)
<i>Total Revenues</i>	<u>142,526</u>	<u>142,526</u>	<u>149,472</u>	<u>6,946</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	145,000	145,000	145,000	0
Other	135	135	89	46
<i>Total Expenditures</i>	<u>145,135</u>	<u>145,135</u>	<u>145,089</u>	<u>46</u>
<i>Net Change in Fund Balance</i>	(2,609)	(2,609)	4,383	6,992
<i>Fund Balance Beginning of Year</i>	<u>8,698</u>	<u>8,698</u>	<u>8,698</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$6,089</u></u>	<u><u>\$6,089</u></u>	<u><u>\$13,081</u></u>	<u><u>\$6,992</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Tree Planting Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$2,000	\$2,000	\$1,925	(\$75)
Expenditures				
Current:				
General Government:				
Other	12,000	12,000	119	11,881
<i>Net Change in Fund Balance</i>	(10,000)	(10,000)	1,806	11,806
<i>Fund Balance Beginning of Year</i>	10,362	10,362	10,362	0
<i>Fund Balance End of Year</i>	<u>\$362</u>	<u>\$362</u>	<u>\$12,168</u>	<u>\$11,806</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Veteran's Memorial Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$10	\$0	\$0	\$0
Other	500			0
<i>Total Revenues</i>	<u>510</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Current:				
General Government:				
Other	7,610	7,110	0	7,110
<i>Net Change in Fund Balance</i>	(7,100)	(7,110)	0	7,110
<i>Fund Balance Beginning of Year</i>	<u>7,115</u>	<u>7,115</u>	<u>7,115</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$15</u>	<u>\$5</u>	<u>\$7,115</u>	<u>\$7,110</u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Southwest General Hospital Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$159,126	\$166,138	\$166,138	\$0
Intergovernmental	12,747	12,473	12,473	0
<i>Total Revenues</i>	<u>171,873</u>	<u>178,611</u>	<u>178,611</u>	<u>0</u>
Expenditures				
Current:				
Public Health and Welfare:				
Other	171,873	178,611	178,611	0
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

City of Middleburg Heights, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Health Insurance Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Services	<u>\$3,106,140</u>	<u>\$3,106,140</u>	<u>\$3,078,277</u>	<u>(\$27,863)</u>
<i>Total Revenues</i>	<u>\$3,106,140</u>	<u>\$3,106,140</u>	<u>\$3,078,277</u>	<u>(\$27,863)</u>
Expenditures				
General Government:				
Other	<u>3,095,000</u>	<u>3,095,000</u>	<u>2,920,408</u>	<u>174,592</u>
<i>Net Change in Fund Balance</i>	11,140	11,140	157,869	146,729
<i>Fund Balance Beginning of Year</i>	<u>593,262</u>	<u>593,262</u>	<u>593,262</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$604,402</u>	<u>\$604,402</u>	<u>\$751,131</u>	<u>\$146,729</u>

Combining Statements – Agency Funds

To account for assets held by the city as an agent for individuals, private organizations, other governmental units, and other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Flexible Spending Account Fund To account for voluntary employee payroll deductions, used by the employee to pay for eligible Medical and Dependent Care expenses with pre-tax dollars, pursuant to Section 125 of the Internal Revenue Code.

Board of Building Standard Fee Fund To account for state building fees collected from builders and disbursed to the State Board of Building Standards.

Mayor's Court Fund To account for funds received and disbursed by the Mayor's Court pursuant to the laws of the State.

Deposits Fund To account for various deposits from contractors, builders, residents, or others to insure compliance with various City ordinances.

City of Middleburg Heights, Ohio
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended December 31, 2016

	Ending Balance 12/31/15	Additions	Deductions	Ending Balance 12/31/16
<i>Flexible Spending Account</i>				
Assets				
Equity in Pooled Cash and Investments	\$16,577	\$82,286	\$89,803	\$9,060
Liabilities				
Deposits Held and Due to Others	\$16,577	\$82,286	\$89,803	\$9,060
<i>Board of Buildings Standards Fee</i>				
Assets				
Equity in Pooled Cash and Investments	\$74	\$2,802	\$2,822	\$54
Liabilities				
Deposits Held and Due to Others	\$74	\$2,802	\$2,822	\$54
<i>Mayor's Court</i>				
Assets				
Cash in Segregated Accounts	\$38,028	\$568,980	\$567,543	\$39,465
Liabilities				
Deposits Held and Due to Others	\$38,028	\$568,980	\$567,543	\$39,465
<i>Deposits</i>				
Assets				
Equity in Pooled Cash and Investments	\$147,518	\$76,703	\$104,968	\$119,253
Liabilities				
Deposits Held and Due to Others	\$147,518	\$76,703	\$104,968	\$119,253
<i>Total - All Agency Funds</i>				
Assets				
Equity in Pooled Cash and Investments	\$164,169	\$161,791	\$197,593	\$128,367
Cash in Segregated Accounts	38,028	568,980	567,543	39,465
Total Assets	\$202,197	\$730,771	\$765,136	\$167,832
Liabilities				
Deposits Held and Due to Others	\$202,197	\$730,771	\$765,136	\$167,832

Statistical Section



(THIS PAGE INTENTIONALLY LEFT BLANK)

Statistical Section

This part of the City of Middleburg Heights, Ohio’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

Financial Trends – These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.

<i>Net Position by Component-Last Ten Years</i>	97
<i>Changes in Net Position-Last Ten Years</i>	98
<i>Fund Balances, Governmental Funds- Last Ten Years</i>	100
<i>Changes in Fund Balances, Governmental Funds-Last Ten Years</i>	102

Revenue Capacity – These schedules contain information to help the reader assess the City’s most significant local revenue sources, the income tax and the property tax.

<i>Tax Revenues by Source, Governmental Funds-Last Ten Years</i>	104
<i>Income Tax Revenue Base and Collections-Last Ten Years</i>	105
<i>Principal Taxpayers-Current Year and Nine Years Ago</i>	106
<i>Property Tax Rates-All Direct and Overlapping Governments</i>	107
<i>Assessed and Estimated Actual Value of Taxable Property-Last Ten Years</i>	108
<i>Property Tax Levies and Collections-Real and Public Utility Taxes-Last Ten Years</i>	109

Debt Capacity – These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.

<i>Ratios of General Bonded Debt and Legal Debt Margins-Last Ten Years</i>	110
<i>Computation of Direct and Overlapping Debt</i>	112

Economic and Demographic Information – These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place.

<i>Demographic and Economic Statistics-Last Ten Years</i>	113
<i>Principal Employers-Current Year and Nine Years Ago</i>	114

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.

<i>Full-time City Employees by Function/Program-Last Ten Years</i>	115
<i>Operating Indicators by Function/Program-Last Ten Years</i>	116
<i>Capital Asset Statistics by Function/Program-Last Ten Years</i>	118

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

(THIS PAGE INTENTIONALLY LEFT BLANK)

City of Middleburg Heights, Ohio
Net Position by Component
Last Ten Years
(accrual basis of accounting)

	2016	Restated 2015 (2)	Restated 2014 (1)	2013	2012	2011	2010	2009	2008	2007
Governmental Activities										
Net Investment in Capital Assets	\$57,262,806	\$54,019,035	\$49,424,631	\$48,813,578	\$49,174,710	\$47,345,795	\$45,336,826	\$43,670,819	\$35,941,389	\$33,862,810
Restricted for:										
Capital Projects	1,456,572	1,818,359	2,943,829	5,177,947	989,661	1,020,901	1,105,143	849,193	1,202,622	1,529,607
Debt Service	1,148,569	1,293,262	1,465,640	1,588,993	1,548,018	1,988,524	2,824,066	2,870,466	3,083,637	3,237,703
Other Purposes	1,605,793	418,789	447,659	448,796	409,375	452,608	482,196	492,426	469,104	396,550
Unrestricted	-12,173,978	-10,862,005	-11,130,064	5,012,054	6,692,960	6,006,694	5,344,333	5,796,309	4,575,931	4,868,489
Total Net Position	\$49,299,762	\$46,687,440	\$43,151,695	\$61,041,368	\$58,814,724	\$56,814,522	\$55,092,564	\$53,679,213	\$45,272,683	\$43,895,159

(1) The City reported the impact of GASB Statement No. 68 beginning in fiscal year 2014.

(2) Restatement in 2015 related to capital assets. See Note 19.

City of Middleburg Heights, Ohio
Changes in Net Position
Last Ten Years
(accrual basis of accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<i>Restated</i>										
Program Revenues										
Governmental Activities:										
Charges for Services:										
Security of Persons and Property:										
Police	\$459,238	\$527,687	\$630,532	\$671,898	\$664,237	\$684,320	\$620,746	\$642,294	\$683,545	\$760,864
Fire	626,497	621,758	545,110	530,050	503,394	512,706	462,126	434,991	426,413	394,681
Public Health and Welfare	9,719	14,416	20,441	22,075	25,508	23,924	22,980	16,515	1,733	5,929
Culture and Recreation	1,506,720	1,433,750	1,378,918	1,399,464	1,344,899	1,243,202	1,211,993	1,177,233	1,172,304	1,121,296
Community Development	218,136	355,833	155,356	819,185	409,400	233,664	144,288	185,671	186,603	353,339
Economic Development	5,299	5,024	4,991	6,443	4,784	4,275	5,768	3,000	1,500	1,750
Streets and Highways	8,245	7,361	11,687	11,854	10,017	8,058	18,482	10,875	24,426	0
General Government	206,015	204,888	191,457	181,832	212,840	178,816	176,929	165,561	148,066	164,540
Operating Grants and Contributions	841,685	861,227	832,490	929,590	848,150	842,714	862,290	849,270	875,100	862,363
Capital Grants and Contributions	3,196,889	3,772,688	249,438	752,693	1,238,019	1,289,377	1,183,203	7,258,633	162,694	184,981
Total Governmental Activities Program Revenues	7,078,443	7,804,632	4,020,420	5,325,084	5,261,248	5,021,056	4,708,805	10,744,043	3,682,384	3,849,743
Expenses										
Governmental Activities:										
Security of Persons and Property:										
Police	5,669,608	5,384,591	5,485,696	5,064,507	4,981,352	4,919,272	5,143,489	4,806,928	4,727,460	4,441,487
Fire	4,669,411	4,432,494	4,185,034	3,924,687	3,923,428	3,801,258	3,726,461	3,696,714	3,639,936	3,588,665
Safety Director	76,087	69,035	68,014	64,010	61,957	58,909	59,728	57,850	55,867	53,720
Public Health and Welfare	265,118	299,048	310,506	311,680	307,505	330,767	362,515	339,612	284,520	263,939
Culture and Recreation	3,511,118	3,248,860	3,305,049	3,148,384	3,193,469	3,176,067	3,237,956	3,280,588	3,163,391	3,159,631
Community Development	836,514	765,089	702,208	603,864	555,959	534,590	552,358	579,608	620,457	645,709
Economic Development	355,895	329,441	328,977	402,294	326,237	305,201	325,270	286,350	164,696	163,873
Streets and Highways	3,606,091	3,295,961	2,953,029	3,298,197	2,664,848	2,786,636	3,140,956	3,052,119	3,011,490	2,679,466
Sanitation	972,643	974,028	1,135,741	1,080,775	1,075,455	1,091,845	933,094	948,225	939,330	948,598
General Government	8,489,326	8,062,700	8,108,809	7,424,687	7,297,006	7,186,714	7,089,138	7,321,308	7,159,940	6,871,475
Interest and Fiscal Charges	303,708	351,198	401,271	520,272	511,361	457,423	527,452	580,827	474,061	856,386
Total Governmental Activities Expenses	28,755,519	27,212,445	26,984,334	25,843,357	24,898,577	24,648,682	25,098,417	24,950,129	24,241,148	23,652,949

Net (Expense)/Revenue

Governmental Activities:

Security of Persons and Property:

Police	(5,210,370)	(4,856,904)	(4,855,344)	(4,392,609)	(4,317,115)	(4,234,952)	(4,522,123)	(4,164,093)	(4,038,095)	(3,680,623)
Fire	(4,042,914)	(3,810,736)	(3,639,924)	(3,286,609)	(3,402,506)	(3,284,507)	(3,261,335)	(3,258,223)	(3,210,523)	(3,193,984)
Safety Director	(76,087)	(69,035)	(68,014)	(64,010)	(61,957)	(58,909)	(59,728)	(57,850)	(55,867)	(53,720)
Public Health and Welfare	(255,399)	(284,632)	(290,065)	(289,605)	(281,997)	(306,843)	(339,535)	(323,097)	(282,787)	(258,010)
Culture and Recreation	(2,004,398)	(1,815,110)	(1,926,131)	(1,748,920)	(1,848,570)	(1,932,865)	(2,025,963)	(2,103,355)	(1,991,087)	(2,038,335)
Community Development	(618,378)	(409,256)	(546,852)	215,321	(146,559)	(300,926)	(408,070)	(393,937)	(433,854)	(292,370)
Economic Development	(350,596)	(324,417)	(323,986)	(395,851)	(321,453)	(300,926)	(319,502)	(283,350)	(163,196)	(162,123)
Streets and Highways	440,728	1,345,315	(1,859,414)	(1,712,088)	(586,190)	(650,532)	(1,080,601)	5,062,618	(1,958,090)	(1,632,122)
Sanitation	(972,643)	(974,028)	(1,135,741)	(1,080,775)	(1,075,455)	(1,091,845)	(933,094)	(948,225)	(939,330)	(948,598)
General Government	(8,283,311)	(7,857,812)	(7,917,352)	(7,242,855)	(7,084,166)	(7,007,898)	(6,912,209)	(7,155,747)	(7,011,874)	(6,706,935)
Interest and Fiscal Charges	(303,708)	(351,198)	(401,271)	(520,272)	(511,361)	(457,423)	(527,452)	(580,827)	(474,061)	(836,386)
<i>Total Net Expense</i>	<i>(21,677,076)</i>	<i>(19,407,813)</i>	<i>(22,964,094)</i>	<i>(20,518,273)</i>	<i>(19,637,329)</i>	<i>(19,627,626)</i>	<i>(20,389,612)</i>	<i>(14,206,086)</i>	<i>(20,558,764)</i>	<i>(19,803,206)</i>

General Revenues

Property and Other Local Taxes Levied for:

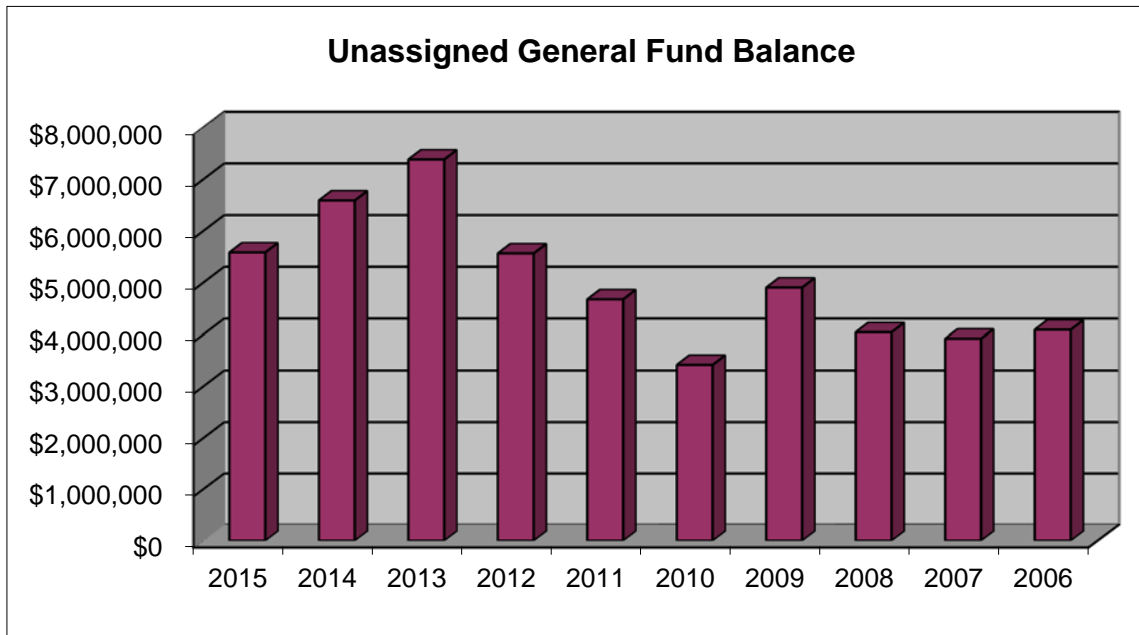
General Purposes	1,891,298	2,204,366	2,094,374	2,114,690	2,094,556	2,122,527	1,946,835	1,983,876	2,082,355	2,104,512
Debt Service	215,852	231,105	217,719	221,713	224,823	238,448	418,706	447,616	459,118	473,010
Police and Fire Pension	259,010	277,340	261,260	266,058	269,788	286,136	291,830	298,410	306,078	315,340
Public Health and Welfare	160,237	166,882	154,181	157,862	149,000	159,755	160,477	156,133	168,159	180,878
Income Tax Levied for:										
General Purposes	16,464,919	14,425,342	14,158,040	14,167,574	13,806,366	13,529,681	11,350,197	11,039,967	11,285,237	10,452,686
Debt Service	1,250,267	1,402,720	1,484,869	1,150,763	1,103,726	1,097,026	1,679,911	1,520,127	1,894,990	2,056,875
Recreation	1,544,602	1,420,297	1,307,047	1,277,539	1,400,216	1,569,497	1,690,513	1,591,301	1,596,976	1,579,588
Capital Outlay	1,183,589	1,312,163	1,408,310	1,678,133	1,071,646	608,868	1,591,385	1,520,723	1,587,193	1,563,051
Grants and Entitlements not Restricted to Specific Programs	771,867	712,325	593,138	959,520	953,727	1,341,682	2,244,208	3,552,070	1,794,816	1,268,580
Investment Earnings	60,917	51,625	80,535	(12,318)	69,863	74,330	62,294	97,034	339,326	537,883
Miscellaneous	486,840	739,393	652,772	763,383	493,820	321,634	366,607	405,359	422,040	356,597
<i>Total General Revenues</i>	<i>24,289,398</i>	<i>22,943,558</i>	<i>22,412,245</i>	<i>22,744,917</i>	<i>21,637,531</i>	<i>21,349,584</i>	<i>21,802,963</i>	<i>22,612,616</i>	<i>21,936,288</i>	<i>20,889,000</i>

Change in Net Position

	<i>\$2,612,322</i>	<i>\$3,535,745</i>	<i>(\$551,849)</i>	<i>\$2,226,644</i>	<i>\$2,000,202</i>	<i>\$1,721,958</i>	<i>\$1,413,351</i>	<i>\$8,406,530</i>	<i>\$1,377,524</i>	<i>\$1,085,794</i>
--	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------

City of Middleburg Heights, Ohio
Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2016	2015	2014	2013
General Fund				
Nonspendable	\$340,009	\$230,977	\$294,315	\$231,762
Assigned	305,282	399,133	291,201	336,772
Unassigned	7,145,989	5,592,477	6,598,310	7,392,204
<i>Total General Fund</i>	<u>7,791,280</u>	<u>6,222,587</u>	<u>7,183,826</u>	<u>7,960,738</u>
All Other Governmental Funds				
Nonspendable	273,410	326,191	331,445	191,522
Restricted	1,784,819	1,435,364	1,689,335	1,914,948
Committed	1,520,206	1,935,024	2,937,584	5,425,408
Unassigned	(2,175,920)	0	0	0
<i>Total All Other Governmental Funds</i>	<u>1,402,515</u>	<u>3,696,579</u>	<u>4,958,364</u>	<u>7,531,878</u>
<i>Total Governmental Funds</i>	<u><u>\$9,193,795</u></u>	<u><u>\$9,919,166</u></u>	<u><u>\$12,142,190</u></u>	<u><u>\$15,492,616</u></u>



Note: Gasb 54 was implemented for years 2007 - 2010 and the amounts are unaudited

2012	2011	2010	2009	2008	2007
\$171,906	\$123,363	\$122,612	\$138,642	\$137,211	\$141,197
415,065	266,188	246,735	271,315	229,568	186,616
5,573,277	4,684,103	3,424,467	4,911,804	4,051,436	3,929,119
6,160,248	5,073,654	3,793,814	5,321,761	4,418,215	4,256,932
249,040	208,718	263,459	277,412	195,881	199,136
1,744,505	1,930,548	2,519,190	2,446,356	2,418,999	2,437,342
937,834	1,230,419	1,461,609	1,009,860	1,194,834	1,841,166
2,931,379	3,369,685	4,244,258	3,733,628	3,809,714	4,477,644
\$9,091,627	\$8,443,339	\$8,038,072	\$9,055,389	\$8,227,929	\$8,734,576

Note: Gasb 54 was implemented for years 2007 - 2010 and the amounts are unaudited

City of Middleburg Heights, Ohio
Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2016	2015	2014	2013
Revenues				
Property Taxes	\$2,167,136	\$2,128,945	\$2,097,879	\$2,140,815
Income Taxes	20,586,071	18,710,308	18,412,558	18,214,580
Other Local Taxes	649,151	656,038	635,656	629,209
Intergovernmental	1,427,483	1,534,724	1,421,965	1,949,745
Special Assessments	155,858	151,447	173,538	186,528
Interest	60,917	51,625	80,535	(12,318)
Fines, Licenses and Permits	871,055	1,077,772	967,832	1,647,011
Charges for Services	2,174,446	2,042,336	1,963,858	1,979,092
Other	456,142	725,367	671,816	814,859
Total Revenues	28,548,259	27,078,562	26,425,637	27,549,521
Expenditures				
Current:				
Security of Persons and Property	9,065,650	9,406,505	9,248,436	8,543,082
Public Health and Welfare	265,118	298,647	310,506	311,680
Culture and Recreation	2,902,906	2,883,957	2,826,499	2,729,357
Community Development	794,295	774,287	684,122	592,322
Economic Development	346,598	331,473	323,845	395,327
Streets and Highways	1,870,612	2,063,160	1,794,482	1,607,261
Sanitation	972,643	974,028	1,135,741	1,080,775
General Government	7,653,896	7,765,338	7,391,588	6,829,343
Capital Outlay	3,659,361	3,030,327	4,122,536	3,404,849
Debt Service:				
Principal Retirement	1,500,583	1,632,609	1,573,272	1,302,122
Interest and Fiscal Charges	287,238	335,018	385,190	367,352
Bond Issuance Costs				118,745
Total Expenditures	29,318,900	29,495,349	29,796,217	27,282,215
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(770,641)</i>	<i>(2,416,787)</i>	<i>(3,370,580)</i>	<i>267,306</i>
Other Financing Sources (Uses)				
General Obligation Bonds Issued				5,860,000
Refunding Bonds Issued				
Premium on Debt Issuance	43,195			263,033
Payment to Refunded Bond Escrow Agent				
Sale of Capital Assets	2,075	14,046	20,054	10,650
Inception of Capital Lease		179,717		
Loan Proceeds				
Transfers In	1,100,000	950,000	850,000	805,528
Transfers Out	(1,100,000)	(950,000)	(850,000)	(805,528)
Total Other Financing Sources (Uses)	45,270	193,763	20,054	6,133,683
Net Change in Fund Balances	(\$725,371)	(\$2,223,024)	(\$3,350,526)	\$6,400,989
Debt Service as a percentage of noncapital expenditures	7.76%	9.86%	14.43%	6.91%

2012	2011	2010	2009	2008	2007
\$2,217,751	\$2,299,773	\$2,244,665	\$2,398,978	\$2,400,470	\$2,506,371
17,287,724	16,726,038	16,184,484	15,810,195	16,176,983	15,421,461
588,245	524,929	514,964	494,692	577,467	554,088
1,799,116	2,544,924	2,878,977	4,452,591	2,652,042	2,136,074
189,768	215,663	218,592	155,908	213,368	177,035
69,863	74,330	62,294	158,609	339,326	537,883
1,255,426	1,076,206	899,685	970,642	999,295	1,234,800
1,938,131	1,785,024	1,762,696	1,677,224	1,669,275	1,545,425
508,892	337,743	368,072	407,770	480,379	358,957
<u>25,854,916</u>	<u>25,584,630</u>	<u>25,134,429</u>	<u>26,526,609</u>	<u>25,508,605</u>	<u>24,472,094</u>
8,538,832	8,395,875	8,776,924	8,049,713	7,928,650	7,522,883
307,505	330,767	362,515	338,927	280,413	259,832
2,742,285	2,771,542	2,844,270	2,800,812	2,708,975	2,614,153
546,761	532,084	544,812	597,099	613,927	626,627
323,904	304,620	321,510	280,958	150,505	161,916
1,671,530	1,691,980	1,758,271	1,563,244	1,729,497	1,581,516
1,075,455	1,091,845	933,094	948,225	939,330	948,598
6,692,911	6,620,502	6,771,287	6,765,399	6,371,715	6,166,876
1,324,813	1,494,121	2,131,384	2,144,886	2,703,366	1,735,992
1,647,732	1,988,289	1,973,229	1,925,422	2,276,598	1,900,036
335,900	408,146	477,982	531,253	460,452	841,476
				194,549	
<u>25,207,628</u>	<u>25,629,771</u>	<u>26,854,935</u>	<u>25,945,938</u>	<u>26,357,977</u>	<u>24,359,905</u>
<u>647,288</u>	<u>(45,141)</u>	<u>(1,112,824)</u>	<u>580,671</u>	<u>(849,372)</u>	<u>112,189</u>
				12,180,000	
				187,315	690
				(12,171,866)	
1,000	303,539	1,807	800	10,000	3,000
		143,700	195,989	137,276	
	146,869	607,682			
925,000	850,000	2,118,585	850,000	850,000	750,000
(925,000)	(850,000)	(2,118,585)	(850,000)	(850,000)	(750,000)
<u>1,000</u>	<u>450,408</u>	<u>753,189</u>	<u>196,789</u>	<u>342,725</u>	<u>3,690</u>
<u>\$648,288</u>	<u>\$405,267</u>	<u>(\$967,317)</u>	<u>\$777,460</u>	<u>(\$506,647)</u>	<u>\$115,879</u>
7.94%	9.39%	9.31%	12.55%	10.40%	11.64%

City of Middleburg Heights, Ohio
Tax Revenues by Source, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

Year	Property Taxes	Income Taxes	Other Local Taxes	Total
2016	\$2,167,136	\$20,586,071	\$649,151	\$23,402,358
2015	2,128,945	18,710,308	656,038	21,495,291
2014	2,097,879	18,412,558	635,656	21,146,093
2013	2,140,815	18,214,580	629,209	20,984,604
2012	2,217,751	17,287,724	588,245	20,093,720
2011	2,299,773	16,726,038	524,929	19,550,740
2010	2,244,665	16,184,484	514,964	18,944,113
2009	2,398,978	15,810,195	494,692	18,703,865
2008	2,400,470	16,176,983	577,467	19,154,920
2007*	2,506,371	15,421,461	554,088	18,481,920

* Beginning in 2007 a change in the income tax rate from 1.75% to 2.00% for Capital Improvements, Debt Retirement and General Municipal Functions was passed by the voters.

City of Middleburg Heights, Ohio
Income Tax Revenue Base and Collections (Cash Basis)
Last Ten Years

Tax Year	Tax Rate	Total Tax Collected	Taxes from Withholding	Percentage of Taxes from Withholding	Taxes from Individuals	Percentage of Taxes from Individuals	Taxes from Net Profits	Percentage of Taxes from Net Profits
2016	2.00%	\$19,920,234	\$16,224,601	81.4%	\$1,222,815	6.1%	\$2,472,819	12.4%
2015	2.00%	18,418,282	15,169,769	82.4%	1,136,412	6.2%	2,112,102	11.5%
2014	2.00%	18,238,485	14,976,670	82.1%	1,031,715	5.7%	2,230,099	12.2%
2013	2.00%	18,011,584	14,540,186	80.7%	989,719	5.5%	2,481,680	13.8%
2012	2.00%	17,430,871	14,322,468	82.2%	941,263	5.4%	2,167,140	12.4%
2011	2.00%	16,097,705	13,272,250	82.4%	995,822	6.2%	1,829,633	11.4%
2010	2.00%	15,663,489	12,922,672	82.5%	923,354	5.9%	1,817,462	11.6%
2009	2.00%	15,538,504	12,986,724	83.6%	939,809	6.0%	1,611,971	10.4%
2008	2.00%	15,934,338	12,922,443	81.1%	959,605	6.0%	2,052,290	12.9%
2007*	2.00%	14,954,277	12,551,335	83.9%	883,312	5.9%	1,519,630	10.2%

* Beginning in 2007 a change in the income tax rate from 1.75% to 2.00% for Capital Improvements, Debt Retirement and General Municipal Functions was passed by the voters.

Source: Regional Income Tax Agency "Period 12 Totals" - remitted to the City Between February Year One and January Year Two.

City of Middleburg Heights, Ohio
Principal Taxpayers
Current Year and Nine Years Ago (Cash Basis)

The following are the principal income taxpayers in the City of Middleburg Heights, ranked in order of payroll withholding:

2016		
	Rank	
	1	Southwest General Hospital
	2	United Parcel Service
	3	Quadax Inc.
	4	Amerimark Direct LLC.
	5	Zin Technologies
	6	Brewer Garrett Co.
	7	Sunnyside Automotive Inc.
	8	Berea City School District
	9	SW General Med Group
	10	Codonics Inc.
2007		
2016 Rank	Rank	Taxpayer
1	1	Southwest General Hospital
2	2	United Parcel Service
4	3	Amerimark Direct LLC
	4	UPS Supply Chain Solutions Inc.
	5	City of Middleburg Heights
8	6	Berea City School District
10	7	Codonics, Inc.
	8	Thyssenkrupp Materials, Inc.
	9	Polaris Joint Vocational School
	10	Advanstar Communications Inc.

Source: Regional Income Tax Agency

Due to legal restrictions and confidentiality requirements, the City cannot disclose the amount of withholdings by taxpayer.

City of Middleburg Heights, Ohio
Property Tax Rates - All Direct and Overlapping Governments
(Per \$1,000 of Assessed Value)
Last Ten Years

Tax Year/ Collection Year	City of Middleburg Heights						Polaris JVS & Berea			Total
	General Fund	Debt Service Fund	Police Pension Fund	Fire Pension Fund	Southwest Community Hospital	Total	School District	Cuyahoga County (1)	Total	
2007/2008	2.95	0.90	0.30	0.30	1.00	5.45	77.30	20.20	102.95	
2008/2009	2.95	0.90	0.30	0.30	1.00	5.45	77.30	20.60	103.35	
2009/2010	2.95	0.90	0.30	0.30	1.00	5.45	77.40	20.60	103.45	
2010/2011	3.35	0.50	0.30	0.30	1.00	5.45	77.30	20.90	103.65	
2011/2012	3.35	0.50	0.30	0.30	1.00	5.45	77.40	20.80	103.65	
2012/2013	3.35	0.50	0.30	0.30	1.00	5.45	81.30	20.80	107.55	
2013/2014	3.35	0.50	0.30	0.30	1.00	5.45	81.20	22.53	109.18	
2014/2015	3.35	0.50	0.30	0.30	1.00	5.45	81.10	23.43	109.98	
2015/2016	3.35	0.50	0.30	0.30	1.00	5.45	80.40	23.43	109.28	
2016/2017	3.35	0.50	0.30	0.30	1.00	5.45	85.29	23.43	114.17	

(1) Rate for Cuyahoga County includes the Library, Cleveland Metro Park, Cuyahoga Community College and the Cleveland-Cuyahoga Port Authority.

Source: Cuyahoga County Fiscal Officer

City of Middleburg Heights, Ohio
Assessed and Estimated Actual Value of Taxable Property
Last Ten Years

Tax Year/ Collection Year	Real Property (1)			Personal Property (1)			Public Utility Property (1)			Total			Ratio of Total Assessed		Total Direct Tax Rate Mills
	Assessed Value	Estimated Actual Value	Assessed Value	Assessed Value	Estimated Actual Value	Assessed Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Estimated Actual Value	Actual Value	
2007/2008	\$542,446,760	\$1,549,847,885	\$26,697,752	\$213,582,016	\$9,997,300	\$11,360,568	\$579,141,812	\$1,774,790,469						32.6%	5.45
2008/2009	544,498,220	1,555,709,200	14,219,539	227,512,624	10,284,260	11,686,659	569,002,019	1,794,908,483						31.7%	5.45
2009/2010	520,228,840	1,486,368,114	-	-	10,739,770	12,204,284	530,968,610	1,498,572,398						35.4%	5.45
2010/2011	519,254,880	1,483,585,371	-	-	10,990,360	12,489,045	530,245,240	1,496,074,416						35.4%	5.45
2011/2012	519,580,370	1,484,515,342	-	-	11,396,260	12,950,295	530,976,630	1,497,465,637						35.5%	5.45
2012/2013	489,803,670	1,399,439,057	-	-	12,277,670	13,951,898	502,081,340	1,413,390,955						35.5%	5.45
2013/2014	492,306,950	1,406,591,286	-	-	13,374,710	15,198,534	505,681,660	1,421,789,820						35.6%	5.45
2014/2015	507,534,460	1,450,098,457	-	-	14,352,660	16,309,841	521,887,120	1,466,408,298						35.6%	5.45
2015/2016	502,118,450	1,434,624,143	-	-	15,405,520	17,506,273	517,523,970	1,452,130,416						35.6%	5.45
2016/2017	482,861,060	1,379,603,029	-	-	18,081,890	20,547,602	500,942,950	1,400,150,631						35.8%	5.45

(1) The percentages for all tax years were 35% for all Real Property and 88% for Public Utility Property.

Source: Cuyahoga County Fiscal Officer

City of Middleburg Heights, Ohio
Property Tax Levies and Collections - Real and Public Utility Taxes
Last Ten Years

Tax Year/ Collection Year	Current Levy (1)	Current Collections	Percent of Current Levy Collected	Collection Including Delinquencies (1)	Total Collections As Percent of Current Levy	Accumulated Delinquency
2006/2007	\$2,619,454	\$2,501,316	95.5	\$2,550,730	97.4	\$90,448
2007/2008	2,712,622	2,574,035	94.9	2,655,520	97.9	124,972
2008/2009	2,645,923	2,539,405	96.0	2,623,494	99.2	115,126
2009/2010	2,537,015	2,450,568	96.6	2,500,072	98.5	159,157
2010/2011	2,535,734	2,448,667	98.6	2,544,126	100.0	148,230
2011/2012	2,543,961	2,406,690	94.6	2,487,191	97.8	114,714
2012/2013	2,413,806	2,306,080	95.5	2,373,140	98.3	93,953
2013/2014	2,428,438	2,258,226	93.0	2,326,575	95.8	99,881
2014/2015	2,500,500	2,295,661	92.0	2,360,245	94.4	190,931
2015/2016	2,428,464	2,347,156	96.6	2,395,844	98.7	108,796

(1) Includes homestead/rollback taxes assessed locally but distributed through the State. This reimbursement from the State is a form of Local Property Tax relief which the City accounts for as Intergovernmental Revenue.

Source: Cuyahoga County Fiscal Officer

City of Middleburg Heights, Ohio
Ratios of General Bonded Debt and Legal Debt Margins
Last Ten Years

	2016	2015	2014
General Obligation Bonds	\$7,160,000	\$8,455,000	\$10,201,534
Percent of estimated actual property value	0.51%	0.58%	0.70%
Per Capita	\$449.02	\$530.23	\$639.76
Special Assessment Bonds	324,288	454,486	573,824
Bond Anticipation Notes			
OPWC Loans	735,647	776,517	817,387
Capital Leases	107,801	142,316	
Total Gross Indebtedness	<u>8,327,736</u>	<u>9,828,319</u>	<u>11,592,745</u>
Percentage of Personal Income	1.73%	2.04%	2.41%
Per Capita	\$522.25	\$616.35	\$727.00
Less:			
Special Assessment Bonds	(324,288)	(454,486)	(573,824)
Community & Service Center Refunding Bonds	(1,890,000)	(2,900,000)	(4,055,000)
Community Center Bonds			
Service Center Bonds			
OPWC Loans	(735,647)	(776,517)	(817,387)
Capital Leases	(107,801)	(142,316)	
Bond Retirement Fund Balance	<u>(728,872)</u>	<u>(715,630)</u>	<u>(746,425)</u>
Total Net Debt Applicable to Debt Limit	<u>4,541,128</u>	<u>4,839,370</u>	<u>5,400,109</u>
Overall Legal Debt Limit			
10 1/2% of Assessed Valuation	<u>52,599,010</u>	<u>54,340,017</u>	<u>54,798,148</u>
Legal Debt Margin Within 10 1/2% Limitations	<u>\$48,057,882</u>	<u>\$49,500,647</u>	<u>\$49,398,039</u>
Legal Debt Margin as a Percentage of the Debt Limit	91.37%	91.09%	90.15%
Unvoted Debt Limitation			
5 1/2% of Assessed Valuation	\$27,551,862	\$28,463,818	\$28,703,792
Net Unvoted Indebtedness Authorized by Council	8,327,736	9,828,319	11,592,745
Less:			
Special Assessment Bonds	(324,288)	(454,486)	(573,824)
Community & Service Center Refunding Bonds	(1,890,000)	(2,900,000)	(4,055,000)
Community Center Bonds			
Service Center Bonds			
OPWC Loans	(735,647)	(776,517)	(817,387)
Capital Leases	(107,801)	(142,316)	
General Obligation Bond Retirement Fund Balance	<u>(728,872)</u>	<u>(715,630)</u>	<u>(746,425)</u>
Net Debt Within 5 1/2% Limitations	<u>4,541,128</u>	<u>4,839,370</u>	<u>5,400,109</u>
Unvoted Legal Debt Margin Within 5 1/2% Limitations	<u>\$23,010,734</u>	<u>\$23,624,448</u>	<u>\$23,303,683</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	83.52%	83.00%	81.19%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

2013	2012	2011	2010	2009	2008	2007
\$11,652,612	\$6,565,000	\$7,985,153	\$9,730,327	\$11,456,736	\$13,154,922	\$14,796,884
0.82%	0.46%	0.53%	0.65%	0.76%	0.73%	0.83%
\$730.75	\$411.70	\$500.76	\$610.20	\$737.15	\$846.41	\$952.06
697,350	815,110	947,096	1,098,379	1,227,784	1,364,806	1,509,480
800,567	754,551	754,551	607,682	500,000		
29,746	99,107	194,701	286,533	260,247	154,473	69,160
13,180,275	8,233,768	9,881,501	12,057,921	13,444,767	14,674,201	16,375,524
2.74%	1.71%	2.05%	2.50%	3.43%	3.75%	4.18%
\$826.56	\$516.35	\$619.69	\$756.17	\$865.06	\$944.16	\$1,053.63
(697,350)	(815,110)	(947,096)	(1,098,379)	(1,227,784)	(1,364,806)	(1,509,480)
(5,195,000)	(6,285,000)	(7,685,000)	(9,205,000)	(10,565,000)	(11,915,000)	(8,853,500)
						(4,258,500)
(800,567)	(754,551)	(754,551)	(607,682)			
(29,746)	(99,107)	(194,701)	(286,533)	(260,247)	(154,473)	(69,160)
(732,000)	(615,483)	(907,696)	(1,586,109)	(739,402)	(825,810)	(842,882)
5,725,612	(335,483)	300,153	(725,782)	652,334	414,112	842,002
53,096,574	52,718,541	55,752,546	55,675,750	55,751,704	59,745,212	60,809,890
\$47,370,962	\$53,054,024	\$55,452,393	\$56,401,532	\$55,099,370	\$59,331,100	\$59,967,888
89.22%	100.64%	99.46%	101.30%	98.83%	99.31%	98.62%
\$27,812,491	\$27,614,474	\$29,203,715	\$29,163,488	\$29,203,274	\$31,295,111	\$31,852,800
13,180,275	8,233,768	9,881,501	12,057,921	13,444,767	14,674,201	16,375,524
(697,350)	(815,110)	(947,096)	(1,098,379)	(1,227,784)	(1,364,806)	(1,509,480)
(5,195,000)	(6,285,000)	(7,685,000)	(9,205,000)	(10,565,000)	(11,915,000)	(8,853,500)
						(4,258,500)
(800,567)	(754,551)	(754,551)	(607,682)			
(29,746)	(99,107)	(194,701)	(286,533)	(260,247)	(154,473)	(69,160)
(732,000)	(615,483)	(194,701)	(1,586,109)	(739,402)	(825,810)	(842,882)
5,725,612	(335,483)	105,452	(725,782)	652,334	414,112	842,002
\$22,086,879	\$27,949,957	\$29,098,263	\$29,889,270	\$28,550,940	\$30,880,999	\$31,010,798
79.41%	101.21%	99.64%	102.49%	97.77%	98.68%	97.36%

City of Middleburg Heights, Ohio
Computation of Direct and Overlapping Debt
December 31, 2016

Jurisdiction	Debt Outstanding	Percentage Applicable To City of Middleburg Heights ©	Amount Applicable To City of Middleburg Heights
Direct:			
General Obligation Bonds	\$ 7,409,378 (a)	100.00%	\$ 7,409,378
Special Assessment Bonds	324,288 (a)	100.00%	324,288
Total Direct Debt	<u>\$ 7,733,666</u>		<u>\$ 7,733,666</u>
Overlapping:			
Berea School District	\$6,185,000 (b)	38.63%	\$2,389,163
Cuyahoga County	226,090,000 (b)	1.81%	4,100,030
Greater Cleveland Regional Transit	3,910,000 (b)	1.81%	70,906
Total Overlapping Debt	<u>236,185,000</u>		<u>6,560,099</u>
Total Direct and Overlapping	<u>\$ 243,918,666</u>		<u>\$ 14,293,765</u>

(a) Total General Obligation Debt Outstanding, including Special Assessment Debt with a government commitment. Source: City of Middleburg Heights, Finance Department

(b) Gross General Obligation Debt Outstanding. Source: Cuyahoga County Fiscal Officer

(c) Percentages were determined by dividing each overlapping subdivision's assessed valuation within the City by its total assessed valuation.

City of Middleburg Heights, Ohio
Demographic and Economic Statistics
Last Ten Years

Year	Population (1)		Total Personal Income (2)	Per Capita Personal Income (1)		Median Household Income (1)	Unemployment Rate (3)	
2016	15,946	b	\$481,792,444	\$30,214	b	\$66,337	b	5.4%
2015	15,946	b	481,792,444	30,214	b	66,337	b	3.9%
2014	15,946	b	481,792,444	30,214	b	66,337	b	5.6%
2013	15,946	b	481,792,444	30,214	b	66,337	b	7.1%
2012	15,946	b	481,792,444	30,214	b	66,337	b	7.1%
2011	15,946	b	481,792,444	30,214	b	66,337	b	7.7%
2010	15,946	b	481,792,444	30,214	b	66,337	b	9.2%
2009	15,542	a	391,673,942	25,201	a	60,015	a	9.0%
2008	15,542	a	391,673,942	25,201	a	60,015	a	6.6%
2007	15,542	a	391,673,942	25,201	a	60,015	a	5.9%

(1) Source: U.S. Bureau of the Census

(a) 2000 Federal Census

(b) 2010 Federal Census

(2) Source: Computation of per capita personal income multiplied by population

(3) Source: Ohio Bureau of Employment Services,

U.S. Department of Labor, Bureau of Labor Statistics for Cleveland MSA

City of Middleburg Heights, Ohio
Principal Employers
Current Year and Nine Years Ago

2016		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Southwest General Hospital	2,670	12.91%
United Parcel Service	2,146	10.38%
Amerimark	759	3.67%
Quadax	657	3.18%
City of Middleburg Heights	440	2.13%
Polaris Joint Vocational	389	1.88%
Sunnyside Automotive Inc.	287	1.39%
Berea City School District	271	1.31%
Zin Technologies	235	1.14%
Brewer Garrett Co.	210	1.02%
Total	<u>8,064</u>	<u>39.00%</u>
Total City Employment	20,675	
2007		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of</u>
Southwest General Hospital	2,720	14.62%
United Parcel Service	2,110	11.34%
City of Middleburg Heights	420	2.26%
Polaris Joint Vocational	419	2.25%
Amerimark Direct	410	2.20%
Berea City School District	276	1.48%
UPS Supply Chain Solutions Inc.	251	1.35%
Advanstar Communications	212	1.14%
Codonics, Inc.	167	0.90%
Sunnyside Automotive	149	0.80%
Total	<u>7,134</u>	<u>38.34%</u>
Total City Employment	<u>18,609</u>	

Source: Regional Income Tax Agency. Total City Employment based upon estimate from the Regional Income Tax Agency withholding information.

City of Middleburg Heights, Ohio
Full-Time City Employees by Function/Program
Last Ten Years

Function/Program	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Government:										
Council	2	2	2	2	2	2	2	2	2	2
Finance	5	5	5	5	5	5	5	5	5	5
Law	2	2	2	2	2	2	2	2	2	2
Mayor's Court	2	2	2	2	2	2	2	2	2	2
Mayor's Office	3	3	3	3	3	4	4	4	4	4
Public Service	33	33	34	34	34	34	34	34	33	33
Community Development:										
Planning & Zoning	1	1	1	1	1	1	1	1	1	1
Building	5	5	5	4	4	4	4	4	5	5
Economic Development:										
	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Police	37	38	38	38	38	38	41	38	38	38
Fire	26	27	27	27	27	27	27	27	27	26
Culture and Recreation:										
Programs	2	2	2	2	2	2	2	2	2	2
Recreation Center	9	9	9	9	9	9	9	11	11	11
Streets and Highways:										
Street Department	10	10	10	10	10	10	10	10	10	10
Totals:	<u>138</u>	<u>140</u>	<u>141</u>	<u>140</u>	<u>140</u>	<u>141</u>	<u>144</u>	<u>143</u>	<u>143</u>	<u>142</u>

Source: City of Middleburg Heights, Finance Department

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Indicators by Function/Program										
Fire										
Emergency Responses	3037	3,013	2,853	2,821	2,758	2,770	2,553	2,498	2,647	2,565
Ambulance runs	2550	2,555	2,206	2,155	2,084	2,036	1,904	1,823	1,848	1,711
Fire Runs	487	458	647	666	674	734	649	675	799	854
Fire Safety Inspections/Re-Inspections	292	275	280	317	266	170	338	453	370	387
Fire Protection Systems Inspected	393	29	61	61	51	48	111	226	211	331
Building/Fire Protection Plan Received	204	198	187	156	147	139	139	138	177	300
Number of Community Program Hours	248.5	228	285.75	170	237	200	382	440	261	180
Hydrants Tested	1100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Public Service										
Snowfall in inches ¹	41.7	52	83.73	58	30.8	69.5	59.8	66.7	85.3	62.3
Tons of salt used	3300	4,600	7,300	5,800	3,200	5,796	7,326	5,000	6,000	7,286
Asphalt used in road maintenance (tons)	543.5	548	266	267.5	155.5	351.5	317.5	447	149.5	191
Concrete used in road maintenance (yards)	295.5	266.5	281.5	326	345.5	286.75	458.5	210	314.5	376.5
Number of Trees removed	197	180	135	109	160	122	84	53	115	158
Number of Trees planted	133	78	124	120	201	134	198	155	134	154
Senior citizen driveway plowing participants	1,131	1,138	1,146	1,104	1,119	1,155	1,127	1,112	1,119	1,100
Building										
Number of Permits issued by type:										
Building Permits	189	153	147	223	211	196	166	148	186	269
Electrical Permits	184	146	147	184	185	225	156	142	177	220
Plumbing Permits	138	130	102	126	105	121	92	78	96	131
HVAC Permits	158	150	134	152	133	131	125	102	127	142
Miscellaneous Permits	610	631	559	693	710	734	616	631	633	676
Inspections performed	1,744	1,437	1,700	2,265	2180	1956	1,671	1,577	1,000	2,705
Estimated value of construction	\$8,686,151	\$27,626,895	\$5,113,017	\$68,254,025	\$40,949,916	\$15,993,740	\$4,940,229	\$10,141,903	\$16,361,351	\$34,020,291
Number of Plans examined	74	87	68	120	106	134	98	54	124	136
Court										
Number of court cases										
Number of violations	3,393	4063	5,228	4,773	5,418	5,599	5,234	5,676	5,990	6,766
Number of Transferred Cases	4,104	4936	6,242	5,741	6,590	6,842	6,224	6,844	7,316	8,369
Number of Waivers taken at Violations Bureau (Est)	244	245	231	264	273	283	259	303	294	385
Number of Court Appearances	725	858	1,140	1,012	1,474	1,539	1,722	2,072	2,274	2,654
Number of Waivers received by Mail	1,251	963	1,177	1,161	1,228	1,471	1,330	1,438	1,268	1,260
Number of Phone Calls Received	517	841	1,182	1,140	1,488	1,506	1,882	2,072	2,274	2,654
Number of Waivers received online	1,199	1353	1,565	1,342	1,259	1083	282	n/a	n/a	n/a

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

Operating Indicators by Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Council										
Number of Ordinances & resolutions	68	87	80	80	100	105	91	100	111	123
Finance										
Number of checks processed (excluding payroll)	3106	3,552	3,437	3,501	3,461	3,624	3,486	3,578	3,644	3,756
Number of Purchase orders issued	4308	3,668	3,103	3,628	3,128	3,230	3,122	3,251	3,197	3,400
Number of W-2 forms issued	447	439	445	430	440	429	434	426	435	420
City W-2 Wages (in Millions) 2	\$12.44	\$12.96	\$12.18	\$11.82	\$11.58	\$11.72	\$11.80	\$11.51	\$11.10	\$10.63
Mayor's Office										
Newsletters mailed (Winter and Summer issues) 3	8682	8,675	8,413	8,413	8,413	8,413	8,386	8,384	8,494	8,377
Recreation										
Number of Memberships	7,956	8,205	8,223	8,347	7,894	7,788	7,834	7,681	7,944	7,829
Learn to Swim enrollment	1182	1,167	1,200	1,281	1,301	1,362	1,356	1,358	1,419	1,481
Enrollment in athletics programs	1775	1,989	2,224	2,302	1,718	1,761	1,803	1,928	1,910	2,072
Number of Rental Events	1507	1,550	1,826	3,089	3,151	2,967	2,172	1,783	1,800	1,595
Enrollment in classes, programs, and special events	17,241	18,744	18,517	17,215	19,805	14,603	13,352	10,674	10,542	9,756
Law										
Number of new litigations filed (traffic & criminal cases)	550	567	523	560	604	552	525	628	615	689
Number of Municipal Court cases heard and disposed	608	582	589	603	635	589	586	682	661	706
Planning & Zoning										
Number of Planning commission agenda items	65	54	58	77	82	82	68	52	79	94
Civil Service										
Number of Exams given	41	58	56	42	41	57	96	97	57	73

1 - National Weather Service, Cleveland, OH - Hopkins International Airport

2 - The 2015 payroll included 27 pay periods as opposed to the normal 26 pay periods.

2 - Prior to 2007, newsletters were mailed bi-annually to residents, beginning in 2007 newsletters were mailed annually.

Source: All other data not specifically footnoted was compiled by the departments of the City of Middleburg Heights.

City of Middleburg Heights, Ohio
Capital Asset Statistics by Function/Program
Last Ten Years

Function/Program	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Government:			
Other Departmental Vehicles	5	5	5
City Hall Square Footage	18,746	18,746	18,746
Police:			
Number of Stations	1	1	1
Number of Vehicles	25	25	25
Square Footage of Building	13,400	13,400	13,400
Fire:			
Number of Stations	1	1	1
Number of Vehicles	12	12	11
Square Footage of Building	19,730	19,730	19,730
Culture and Recreation:			
Number of Parks	3	3	3
Number of Vehicles	1	1	1
Recreation Center Square Footage	83,768	83,768	83,768
Public Service:			
Number of Vehicles	47	47	47
Service Center Square Footage	62,445	62,445	62,445
Streets (miles)	65	65	65
Senior Transportation:			
Number of Vehicles	1	1	1

Source: City of Middleburg Heights, Finance Department

2012	2011	2010	2009	2008	2007
5 18,746	5 18,746	5 18,746	5 18,746	5 18,746	7 18,746
1 23 13,400	1 23 13,400	1 25 13,400	1 23 13,400	1 23 13,400	1 29 13,400
1 10 19,730	1 10 19,730	1 10 19,730	1 10 19,730	1 10 19,730	1 10 19,730
2 2 83,768	2 2 83,768	2 1 83,768	2 1 83,768	2 1 83,768	2 2 83,768
44 62,445 65	42 62,445 65	45 62,445 65	43 62,445 65	45 62,445 65	42 62,445 65
1	2	2	2	2	2

Source: City of Middleburg Heights, Finance Department

This page intentionally left blank.



Dave Yost • Auditor of State

CITY OF MIDDLEBURG HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 12, 2017**