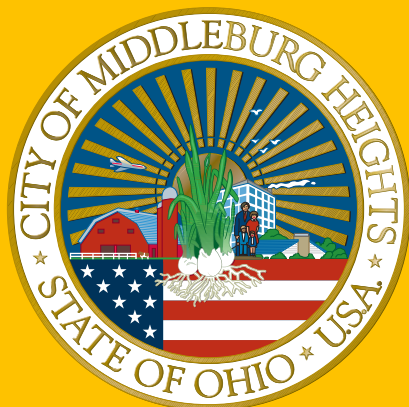


Comprehensive Annual Financial Report

FOR THE YEAR ENDED DECEMBER 31, 2017



City of
**Middleburg
Heights**



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, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of 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 20, 2018

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City Of Middleburg Heights, Ohio



Comprehensive Annual Financial Report

For The Year Ended December 31, 2017

Issued By The Department of Finance

Jason Stewart, CPA
Director

Nicholas Vitalone, CPA
Assistant Director

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Introductory Section



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City of Middleburg Heights, Ohio
Comprehensive Financial Annual Report
For the Year Ended December 31, 2017
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 Four Years	64
Schedule of City Contributions OPERS and OP&F Retirement Systems - Last Ten Years.....	65

City of Middleburg Heights, Ohio
Comprehensive Financial Annual Report
For the Year Ended December 31, 2017
Table of Contents

Combining Statements and Individual Fund Schedules:	
Combining Statements Non-major Governmental Funds:	
Fund Descriptions.....	67
Combining Balance Sheet-Nonmajor Governmental Funds.....	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Governmental Funds..	69
Combining Balance Sheet-Nonmajor Special Revenue Funds...	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Special Revenue Funds	72
Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP Basis) and Actual:	
Major Funds:	
General Fund.....	75
Recreation Fund.....	79
Bond Retirement Fund.....	80
Capital Improvements Fund.....	81
Street Infrastructure Improvement Fund.....	82
Bagley/Fry Roadway Fund.....	83
Non-major Funds:	
Street Construction Fund.....	84
State Highway Fund.....	85
Clerk of Courts Computer Fund.....	86
Law Enforcement Fund.....	87
Medical Transport Fund.....	88
Police Pension Fund.....	89
Fire Pension Fund.....	90
Tree Planting Fund.....	91
Veteran’s Memorial Fund.....	92
Southwest General Hospital Fund.....	93
Health Insurance Fund.....	94
Combining Statements-Agency Funds:	
Fund Descriptions.....	95
Combining Statement of Changes in Assets and Liabilities-Agency Funds.....	96

III. Statistical Section

Table of Contents	97
Net Position by Component-Last Ten Years.....	98
Changes in Net Position-Last Ten Years.....	99
Fund Balances, Governmental Funds- Last Ten Years.....	101

City of Middleburg Heights, Ohio
Comprehensive Financial Annual Report
For the Year Ended December 31, 2017
Table of Contents

Changes in Fund Balances, Governmental	
Funds-Last Ten Years.....	103
Tax Revenues by Source, Governmental Funds-Last Ten Years.....	105
Income Tax Revenue Base and Collections-Last Ten Years.....	106
Principal Taxpayers-Current and Nine Years Ago.....	107
Property Tax Rates-All Direct and Overlapping Governments- Last Ten Years.....	108
Assessed and Estimated Actual Value of Taxable Property- Last Ten Years.....	109
Property Tax Levies and Collections-Real and Public Utility Taxes-Last Ten Years.....	110
Ratios of General Bonded Debt and Legal Debt Margins- Last Ten Years.....	111
Computation of Direct and Overlapping Debt.....	113
Demographic and Economic Statistics-Last Ten Years.....	114
Principal Employers-Current and Nine Years Ago.....	115
Full-time City Employees by Function/Program-Last Ten Years.....	116
Operating Indicators by Function/Program-Last Ten Years.....	117
Capital Asset Statistics by Function/Program-Last Ten Years.....	119

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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 13, 2018

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 one hundred fifty days of the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended December 31, 2017.

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, 2017. The Independent Auditor's Report is located at the front of the financial section of this report.

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

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 20 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 30 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.

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.

The Middleburg Heights business community is comprised of over 1,300 diverse businesses with over 22,000 employees. Almost every industry is represented in Middleburg Heights. The city's top employers continue to grow and thrive in the community.

There are over a dozen development projects currently in progress in Middleburg Heights which reflect over \$100 million of investment in the City. The following is a summary of recent Economic Development activity, including infrastructure investments, in the City of Middleburg Heights which demonstrates that businesses continue to make significant investments in Middleburg Heights as a desired location to grow, expand and thrive:

- A new 112-room Residence Inn by Marriott hotel and 12,000 square-foot retail building which are currently under construction on Bagley Road. This project reflects a \$16 million investment in Middleburg Heights, and will bring new jobs and revenue to the City.
- A new 125,000 square-foot building to accommodate the expansion of the Fat Head's production brewery and new 220 seat full-service restaurant on Engle Lake Drive along Interstate-71. This project reflects a \$12 million investment in Middleburg Heights, and will create at least 74 new jobs in addition to the existing 37 Fat Head's employees currently in Middleburg Heights.

- A 3,600 square-foot addition to the Quadax, Incorporated building on the new American Veterans Parkway which will accommodate 150 new employees in Middleburg Heights.
- A new 5,200 square-foot office building to facilitate the expansion of Middleburg Heights Family Dentistry. This project retains a successful dental practice in Middleburg Heights, and reflects a \$2 million dollar investment in the City. This expansion will facilitate a 20% increase in the number of daily patient visits, and will facilitate the creation of 12 new professional jobs.
- A new 4,000 square-foot addition which doubled the size of a former bank building on Bagley Road to accommodate two expanding dental practices in Middleburg Heights. This project reflects a \$2 million dollar investment in Middleburg Heights, and will facilitate the creation of 15 new professional jobs.
- United Parcel Service, Inc. has purchased 65 acres of valuable undeveloped land on Engle Road in Middleburg Heights. The property sits just north of the UPS Middleburg Heights small-package hub on Englewood Drive, and is in very close proximity to its international freight operations and other UPS facilities. This additional land abutting its current operations in Middleburg Heights will accommodate a major expansion for UPS, and is expected to solidify UPS's status as a major employer in the City of Middleburg Heights.
- Ganley Automotive is constructing a new 30,000 square-foot collision and service center on Pearl Road in Middleburg Heights. Ganley Automotive is moving from its current location and will consolidate operations to the Ganley BMW and Lincoln Dealerships. This move will facilitate the redevelopment of the three acre site at the corner of Pearl Road and West 130th Street which is the gateway to the Southland Shopping Center business district. The expansion project reflects an investment of about \$2 million in Middleburg Heights and facilitated the retention of over twenty skilled, full-time collision and service shop employees.
- Wald & Fisher, Inc., highly respected commercial real estate developers with extensive experience in the development of retail projects, has recently purchased the shopping center on Pearl Road which was the former location of B & B Appliance. In addition, Wald & Fisher has also purchased the abutting land which was the former location for Marcal's Restaurant. Wald & Fisher plans to complete the redevelopment of the shopping center and the Marcal's property in 2018. Wald & Fisher is currently in talks with a number of potential tenants for the redevelopment project which will include extensive interior and exterior building renovations, including a complete new façade and the construction of a new building on the former Marcal's property.
- Car Parts Warehouse, a family-owned company which was established in 1982, continues to expand its operations in Middleburg Heights, and now occupies 100,000 square-feet of space in both the remainder of the Gabes building as well as the entire building which was the former location for Office Max on Smith Road. The Middleburg Heights location for Car Parts Warehouse is open to the public and stocks over 50,000 different automotive parts.

Long Term Financial Planning: 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.

The City has also 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 excellent Aa2 credit rating.

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, 2016. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

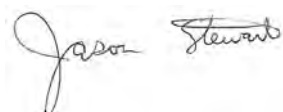
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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-two 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,



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, 2016

Christopher P. Morill

Executive Director/CEO

City of Middleburg Heights, Ohio
Listing of Principal City Officials
As of December 31, 2017

ELECTED OFFICIALS

Mayor	Gary W. Starr
Council President	Matthew Castelli
Councilman At-Large.....	David Bortolotto
Councilman At-Large	Tim Ali
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	John Ligato
Chief of Police	Edward J. Tomba
Chief of Fire.....	Briant Galgas
Court Administrator	Therese Fairman
Executive Assistant.....	Robert Downey
Clerk of Council.....	Mary Ann Meola

City of Middleburg Heights, Ohio

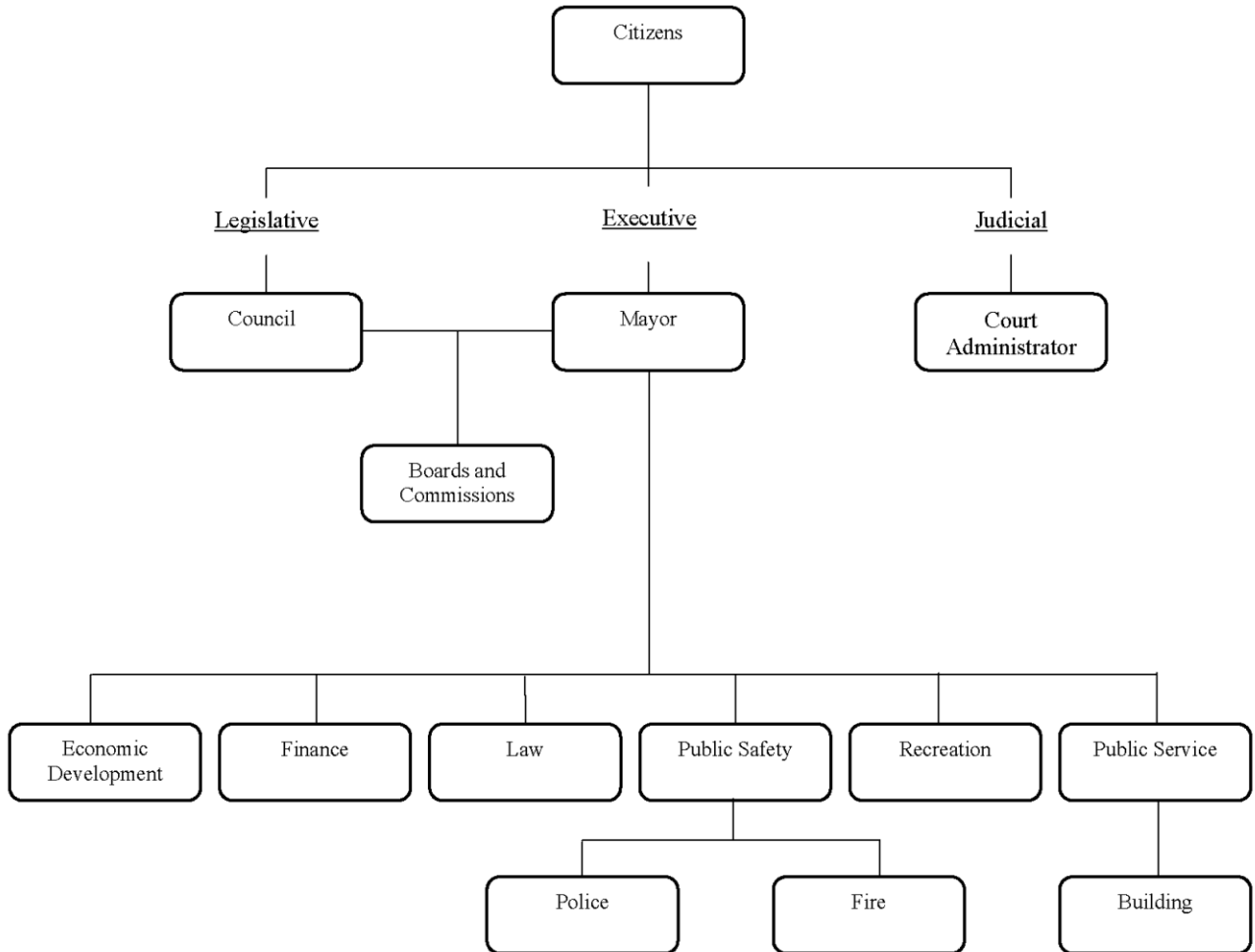
Listing of Principal City Officials

As of December 31, 2017

SPECIAL BOARDS AND COMMISSIONS

Planning Commission	Anthony Crea
Planning Commission	Cori Farris
Planning Commission	Carl Guarnieri
Planning Commission	Eve Sachs
Planning Commission	Con Sullivan
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	Carol Herman
Board of Zoning and Building Appeals	Mark Thomay
Board of Zoning and Building Appeals	Rick Ridella
Civil Service	Tim Miranda
Civil Service	Bernard Benedict
Civil Service	Jim Sheppard
Secretary - Civil Service	Sherri Menoes
Secretary - Boards and Commissions	Kimberly Earley

City of Middleburg Heights, Ohio
Organizational Chart
For the Year Ended December 31, 2017



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Financial Section



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June 13, 2018

To City Council and Management
City of Middleburg Heights
Cuyahoga County, Ohio
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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and recreation fund 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 prior year net position/fund balance due to a restatement adjustment of unclaimed monies. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the City's Proportionate Share of the Net Pension Liability, and Schedule of City Contributions on pages 4-15, 64, and 65-66, 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 13, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Medina, Ohio

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2017
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, 2017. 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 2017 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 \$49,081,206 (*net position*).
- Total Net Position decreased by \$214,914 which represents a .4 percent decrease from 2016. Unrestricted net position decreased by \$5,000,740 or 41.1 percent in 2017.
- Total Assets and deferred outflows of the City decreased \$1,512,315, which represents a 1.6 percent decrease from 2016.
- Total Capital Assets increased by \$2,307,557 or 3.4 percent from 2016.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,411,689 a decrease of \$1,778,464 or 19.4 percent from 2016. Equity in Pooled Cash and Investments in the governmental funds decreased by \$3,880,554 or 47.5 percent from 2016, and was primarily the result of the paying off the short term notes.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$5,832,320 or 30.6 percent of total general fund expenditures.
- Total long-term outstanding debt decreased from \$8,577,144 to \$7,103,842. This was a 17.2 percent decrease from the balance at the end of 2016; 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, 2017
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 2017, 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, Streets/Infrastructure Improvement Fund and the Bagley/Fry Roadway 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, 2017
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 63 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 64 to 66 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 67 to 96 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 2017?" 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, 2017
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 2017 compared to 2016.

Table 1 Net Position

	Governmental Activities	
	2017	<i>Restated</i> 2016
Assets		
Current and Other Assets	\$13,948,621	\$17,616,916
Capital Assets, Net	70,237,061	67,929,504
<i>Total Assets</i>	<u>84,185,682</u>	<u>85,546,420</u>
 Deferred Outflows of Resources		
Deferral on Refunding	51,500	103,000
Pension - PERS	4,882,685	3,878,893
Pension - OP&F	2,556,643	3,660,512
<i>Total Deferred Outflows of Resources</i>	<u>7,490,828</u>	<u>7,642,405</u>
 Liabilities		
Current Liabilities	1,481,371	3,710,807
Long-term Liabilities		
Due within One Year	3,179,668	3,081,034
Due in More Than One Year	34,815,098	34,165,411
<i>Total Liabilities</i>	<u>39,476,137</u>	<u>40,957,252</u>
 Deferred Inflows of Resources		
Property Tax	2,127,155	2,095,486
Pension - PERS	198,059	191,511
Pension - OP&F	793,953	648,456
<i>Total Deferred Inflows of Resources</i>	<u>3,119,167</u>	<u>2,935,453</u>
 Net Position		
Net Investment in Capital Assets	63,171,346	57,262,806
Restricted for:		
Capital Projects	298,631	1,456,572
Debt Service	967,747	1,148,569
Other Purposes	1,821,842	1,605,793
Unrestricted (Deficit)	<u>(17,178,360)</u>	<u>(12,177,620)</u>
<i>Total Net Position</i>	<u>\$49,081,206</u>	<u>\$49,296,120</u>

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2017
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 \$49,081,206 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 decreased by \$1,512,315 from 2016, while the City's total liabilities and deferred inflows decreased by \$1,297,401. As a result, the total net position of the City's governmental activities decreased by \$214,914. The most significant change was a decrease in current liabilities of \$2,229,436 and was due to the maturity of bond anticipation notes of \$2,475,000 for the Bagley/Fry Roadway project. Equity in Pooled Cash and Investments declined \$3,303,086 and was primarily the result of the paying off the short term notes. The increase in non-depreciable capital assets can again be attributed to the construction in progress related to the Bagley/Pleasant Valley Road widening 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 2016.

Governmental Activities

Table 2 Changes in Net Position

	Governmental Activities 2017	Governmental Activities Restated 2016
	2017	2016
Revenues		
Program Revenues:		
Charges for Services	\$3,094,406	\$3,039,869
Operating Grants and Contributions	863,898	841,685
Capital Grants and Contributions	3,591,507	3,196,889
Total Program Revenues	7,549,811	7,078,443
General Revenues:		
Property Taxes & Other Local Taxes	2,906,271	2,526,397
Income Taxes	19,266,358	20,443,377
Grants and Entitlements	433,622	771,867
Investment Income	78,382	60,917
Miscellaneous	980,681	483,198
Total General Revenues	23,665,314	24,285,756
Total Revenues	31,215,125	31,364,199

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

Program Expenses		
General Government	9,193,766	8,489,326
Security of Persons and Property:		
Police	5,721,292	5,669,608
Fire	4,664,396	4,669,411
Safety Director	65,336	76,087
Public Health Services	268,837	265,118
Culture and Recreation	4,280,980	3,511,118
Community Development	951,924	836,514
Economic Development	374,547	355,895
Streets and Highways	4,635,443	3,606,091
Sanitation	968,468	972,643
Interest and Fiscal Charges	305,050	303,708
Total Program Expenses	<u>31,430,039</u>	<u>28,755,519</u>
Increase (decrease) in Net Position	(\$214,914)	\$2,608,680
Restated Net Position Beginning of Year	<u>49,296,120</u>	<u>46,687,440</u>
Net Position End of Year	<u>\$49,081,206</u>	<u>\$49,296,120</u>

Governmental activities decreased the City's net position by \$214,914. Discussion of the reasons for the decrease 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 2017 was \$19,266,358, which was an decrease of 5.76% decrease from 2016. The income tax decrease was primarily due to a general decrease in collections. Of the \$31,215,125 in total revenues, income tax accounted for 61.7% of the total. Property and other local taxes were \$2,906,271, an increase of 15% from 2016, and accounted for 9.3% of total revenues. The property tax increase can be attributed to favorable economic conditions in the real estate market. Operating grants and contributions, capital grants and contributions, general revenues from grants and entitlements account for 15.7% of total revenues, and charges for services, investment income, and other revenue make up the remaining 13.3%. 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.

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

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

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

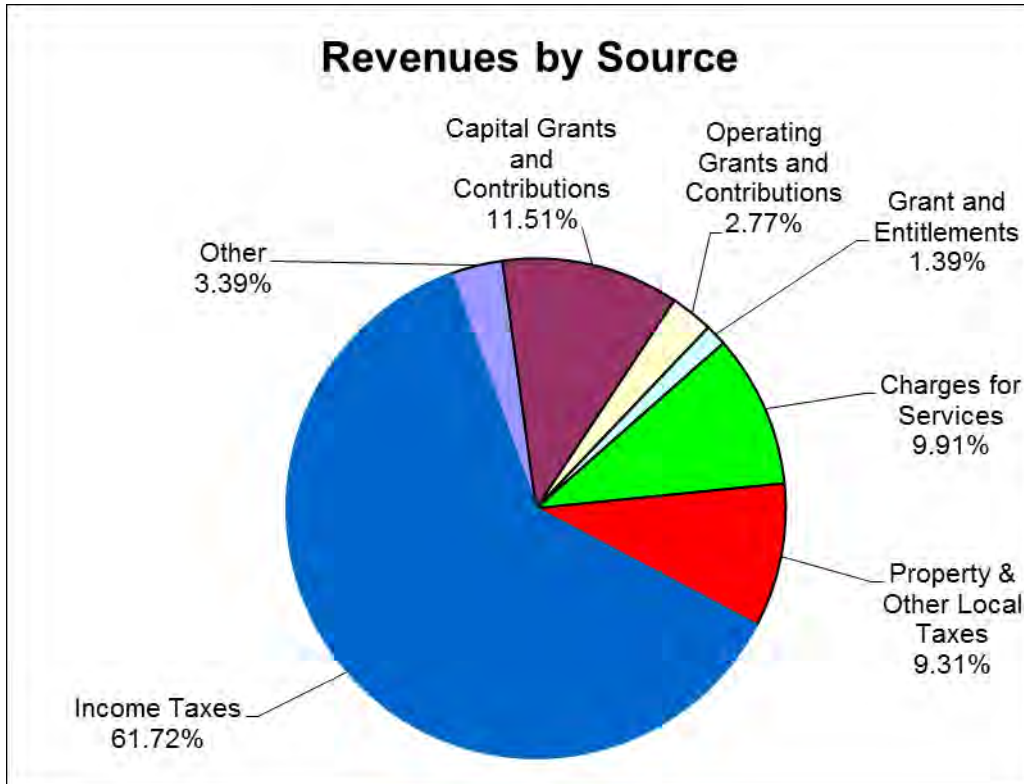
1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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, 2017
Unaudited

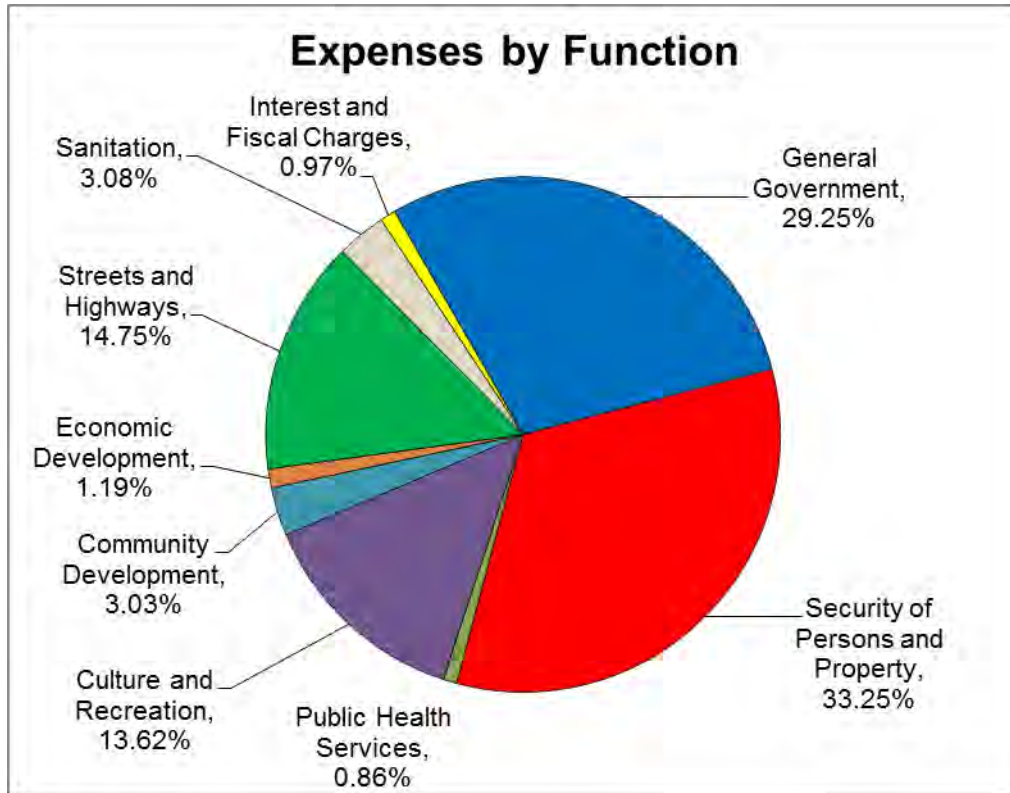


Total program expenses increased by \$2,674,520 or 9.30% as compared to 2016. An increase of \$2.1 million in net pension liability was the primary reason for the increase. Also, expenses related to personal services as a result of 2.33% pay increases, increases in health benefits and worker's compensation costs contributed to the increase.

Total program expenses for 2017 were \$31,430,039. 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 \$10,451,024, which represents 33.25% of total City expenses for the year 2017. Culture and Recreation expenses of \$4,280,980 accounted for 13.62%. 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 \$4,635,443 accounted for 14.75%.

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, 2017
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, 2017, the City's governmental funds reported combined ending fund balances of \$7,411,689, a decrease of \$1,778,464 in comparison with the prior year. Of that amount, \$3,591,385 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 \$403,624.

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 \$7,064,999 of which \$5,832,320 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 \$20,169,649. Unassigned fund balance represents 28.9% (36.8% in 2016) of total General Fund expenditures and other financing uses, while total fund balance represents 35.03% (39.7% in 2016) of that same amount.

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

During the current fiscal year, the fund balance of the City's General Fund decreased by \$722,639. The decrease can be attributed to a decrease of over \$1.7 million in Income tax revenue in the General Fund. Income tax projections came in at approximately 2.8 percent less than expectations. In addition, General Fund expenditures increased by 4.0 percent over 2016 expenditures.

The balance in the Recreation Fund increased \$26,502. This increase in fund balance can be attributed to current year revenues exceeding expenditures. Expenditures have increased and the recreation fund balance remains flat from 2016.

The Bond Retirement Fund decreased \$47,598. The allocation of income tax and other resources are covering the debt service requirements of the City. Expenditures slightly outpaced revenues in 2017.

The Capital Improvements Fund decreased by \$409,232. This decrease was the result of various capital projects underway that are awaiting funding sources that will cover the expenditures and advances received from the general fund.

The Street/Infrastructure Improvements Fund decreased by \$862,741. This decrease was the result of various capital projects underway that are awaiting funding sources that will cover the expenditures and advances received from the general fund.

The Bagley/Fry Roadway Fund increased by \$105,447. Short term manuscript debt was issued and other funding was obtained to cover this project. Long term special assessment debt has been obtained in 2018.

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 2017 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 \$19.7 million and final budgeted revenues were \$19.8 million and actual revenues were \$19.5 million. There was no significant variance from the original revenue estimates that were made. Income Taxes came in \$426,611 under estimates. The City's ending unencumbered cash balance in the General Fund was \$903,088 above the final budgeted amount.

The difference between the General Fund's original budget for expenditures and other uses of \$20,992,730 and the final amended budget of \$23,312,578 was \$2,319,848 or 11%. The largest revisions were an increase of \$1,125,000 for advances of \$525,000 to the Capital Improvements fund for property acquisition and \$600,000 to the Street Infrastructure Improvement Fund for various infrastructure projects. Actual expenditures and other uses were \$22,181,327 or \$1,131,251, (4.8%) less than the final amended budget. The final budget for wages and fringe benefits was \$15,534,342 of which \$14,780,821 or 95.1% was spent leaving a positive variance of \$753,521. 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

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

number of hours are sold, then a positive variance results. The final budget for expenditures other than wages and fringe benefits was \$5,553,236, of which \$5,225,506 or 94.1% was actually spent leaving a positive variance of \$327,730.

Capital Assets and Debt Administration

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

	Governmental Activities	
	2017	2016
Land	\$7,087,636	\$5,746,011
Land Improvements	412,373	355,641
Buildings and Improvements	18,367,586	18,913,894
Machinery and Equipment	3,257,463	3,294,087
Furniture and Fixtures	33,057	38,378
Infrastructure		
Streets	20,912,473	20,901,475
Sidewalks	851,389	798,013
Traffic Signals	901,390	1,067,203
Water Mains	2,352,853	2,050,405
Sanitary Sewers	2,124,149	1,955,601
Storm Sewers	4,302,204	3,974,327
Construction in Progress	9,634,488	8,834,469
Total Net Capital Assets	<u>\$70,237,061</u>	<u>\$67,929,504</u>

Total net capital assets of the City as of December 31, 2017 were \$70,237,061. Capital assets are \$2,307,557 greater than in 2016. The increases in the city's capital assets came as a result of the a) continuation 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, 2017, the City had \$10,158,623 in bonds, capital lease obligations, compensated absences and OPWC loans outstanding with \$3,179,668 due within one year.

Table 4 Outstanding Long-Term Obligations at Year End

	Governmental Activities	
	2017	2016
General Obligation Bonds	\$6,128,300	\$7,409,378
Special Assessment Bonds	208,178	324,288
Capital Lease Obligations	72,586	107,801
Compensated Absences	3,054,782	2,963,928
OPWC - Loan	694,777	735,647
Total	<u>\$10,158,623</u>	<u>\$11,541,042</u>

City of Middleburg Heights
Management's Discussion and Analysis
For the Year Ended December 31, 2017
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 \$53.6 million on December 31, 2017.

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, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$5,614,003
Accounts Receivable	331,024
Accrued Interest Receivable	7,887
Intergovernmental Receivable	567,133
Prepaid Items	44,023
Materials and Supplies Inventory	246,993
Income Tax Receivable	4,624,835
Property Taxes Receivable	2,259,246
Other Local Taxes Receivable	43,799
Special Assessments Receivable	209,678
Nondepreciable Capital Assets	16,722,124
Depreciable Capital Assets, Net	53,514,937
<i>Total Assets</i>	<u>84,185,682</u>
Deferred Outflows of Resources	
Deferral on Refunding	51,500
Pension - PERS	4,882,685
Pension - OP&F	2,556,643
<i>Total Deferred Outflows of Resources</i>	<u>7,490,828</u>
Liabilities	
Accounts Payable	308,448
Accrued Wages	265,836
Retainage Payable	14,694
Intergovernmental Payable	115,319
Accrued Interest Payable	15,899
Claims Payable	545,264
Unearned Revenue	215,911
Long-Term Liabilities:	
Due Within One Year	3,179,668
Due In More Than One Year:	
Net Pension Liability - PERS (See Note 9)	12,666,117
Net Pension Liability - OP&F (See Note 9)	15,170,026
Other Amounts	6,978,955
<i>Total Liabilities</i>	<u>39,476,137</u>
Deferred Inflows of Resources	
Property Taxes	2,127,155
Pension - PERS	198,059
Pension - OP&F	793,953
<i>Total Deferred Inflows of Resources</i>	<u>3,119,167</u>
Net Position	
Net Investment in Capital Assets	63,171,346
Restricted for:	
Capital Projects	298,631
Debt Service	967,747
Other Purposes	1,821,842
Unrestricted (Deficit)	<u>(17,178,360)</u>
<i>Total Net Position</i>	<u>\$49,081,206</u>

See accompanying notes to the basic financial statements

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

	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	\$5,721,292	\$426,669	\$0	\$0	(\$5,294,623)
Fire	4,664,396	611,968			(4,052,428)
Safety Director	65,336				(65,336)
Public Health and Welfare	268,837	9,284			(259,553)
Culture and Recreation	4,280,980	1,441,576			(2,839,404)
Community Development	951,924	405,891			(546,033)
Economic Development	374,547	4,168			(370,379)
Streets and Highways	4,635,443	5,100	863,898	3,591,507	(174,938)
Sanitation	968,468				(968,468)
General Government	9,193,766	189,750			(9,004,016)
Interest and Fiscal Charges	305,050				(305,050)
<i>Total Governmental Activities</i>	<u>\$31,430,039</u>	<u>\$3,094,406</u>	<u>\$863,898</u>	<u>\$3,591,507</u>	<u>(23,880,228)</u>

General Revenues

Property and Other Local Taxes Levied for:

General Purposes	2,212,335
Debt Service	235,258
Police and Fire Pension	282,308
Public Health and Welfare	176,370
Income Tax Levied for:	
General Purposes	14,868,339
Debt Service	1,076,575
Recreation	1,856,905
Capital Outlay	1,464,539
Grants and Entitlements not Restricted to Specific Programs	433,622
Investment Earnings	78,382
Miscellaneous	980,681

Total General Revenues 23,665,314

Change in Net Position (214,914)

Restated Net Position Beginning of Year (See Note 19) 49,296,120

Net Position End of Year \$49,081,206

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Balance Sheet

Governmental Funds

December 31, 2017

	General	Recreation	Bond Retirement	Capital Improvements	Streets/ Infrastructure Improvements	Bagley/Fry Roadway
Assets:						
Equity in Pooled Cash and Investments	\$1,407,667	\$205,867	\$541,279	\$188,938	\$744,464	\$79,527
Materials and Supplies Inventory	82,316	32,430				
Accrued Interest Receivable	7,631		256			
Accounts Receivable	244,220					
Interfund Receivable	3,225,000					
Intergovernmental Receivable	171,684		15,272			
Prepaid Items	43,510	513				
Income Taxes Receivable	3,585,706	497,989	189,034	223,489	128,617	
Property Taxes Receivable	1,569,611		234,271			
Other Local Taxes Receivable	43,799					
Special Assessments Receivable			208,178		1,500	
Total Assets	\$10,381,144	\$736,799	\$1,188,290	\$412,427	\$874,581	\$79,527
Liabilities:						
Accounts Payable	\$187,853	\$32,442	\$0	\$0	\$11,256	\$0
Accrued Wages	219,156	34,680				
Interfund Payable				525,000	550,000	2,150,000
Intergovernmental Payable	115,319					
Retainage Payable					14,694	
Unearned Revenue		215,911				
<i>Total Liabilities</i>	<i>522,328</i>	<i>283,033</i>	<i>0</i>	<i>525,000</i>	<i>575,950</i>	<i>2,150,000</i>
Deferred Inflows of Resources:						
Property Taxes	1,477,630		220,543			
Unavailable Revenue - Delinquent Property Taxes	91,981		13,728			
Unavailable Revenue - Income taxes	935,062	129,863	49,295	57,889	33,540	
Unavailable Revenue - Other	289,144		223,450		1,500	
<i>Total Deferred Inflows of Resources</i>	<i>2,793,817</i>	<i>129,863</i>	<i>507,016</i>	<i>57,889</i>	<i>35,040</i>	<i>0</i>
Fund Balances:						
Nonspendable	238,434	32,943				
Restricted		290,960	681,274			
Committed					263,591	
Assigned	994,245					
Unassigned	5,832,320			(170,462)		(2,070,473)
<i>Total Fund Balances</i>	<i>7,064,999</i>	<i>323,903</i>	<i>681,274</i>	<i>(170,462)</i>	<i>263,591</i>	<i>(2,070,473)</i>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$10,381,144	\$736,799	\$1,188,290	\$412,427	\$874,581	\$79,527

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, 2017*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$7,411,689
		<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	70,237,061
\$1,121,304	\$4,289,046		
132,247	246,993		
	7,887		
86,804	331,024		
	3,225,000		
380,177	567,133		
	44,023		
	4,624,835		
455,364	2,259,246		
	43,799		
	209,678		
<u>\$2,175,896</u>	<u>\$15,848,664</u>		
		Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
		Delinquent Property Taxes	132,091
		Income Taxes	1,205,649
		Intergovernmental	402,063
\$76,897	\$308,448		
12,000	265,836		
	3,225,000		
	115,319		
	14,694		
	215,911		
88,897	4,145,208		
		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.	779,693
428,982	2,127,155		
26,382	132,091		
	1,205,649		
312,778	826,872		
768,142	4,291,767		
		Accrued interest payable on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(15,899)
		Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
		General Obligation Bonds	(6,128,300)
132,247	403,624		
963,531	1,935,765		
223,079	486,670		
	994,245		
	3,591,385		
1,318,857	7,411,689		
		Special Assessment Bonds	(208,178)
		Capital Leases	(72,586)
		OPWC Loan	(694,777)
		Deferral on Refunding	51,500
		Compensated Absences	(3,054,782)
		Total	(10,107,123)
<u>\$2,175,896</u>	<u>\$15,848,664</u>	<i>Net Position of Governmental Activities</i>	<u>\$49,081,206</u>

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

	General	Recreation	Bond Retirement	Capital Improvements	Streets/ Infrastructure Improvements
Revenues					
Property Taxes	\$1,560,038	\$0	\$232,836	\$0	\$0
Income Taxes	14,857,321	1,838,216	1,096,113	934,690	529,015
Other Local Taxes	636,071				
Intergovernmental	380,822		44,068		50,000
Special Assessments			189,301		
Interest	72,352		3,078		
Fines, Licenses and Permits	999,009				
Charges for Services	403,540	1,441,576			135
Other	537,857	37,937		192,460	75,279
<i>Total Revenues</i>	<u>19,447,010</u>	<u>3,317,729</u>	<u>1,565,396</u>	<u>1,127,150</u>	<u>654,429</u>
Expenditures					
Current:					
Security of Persons and Property					
Police	5,102,306				
Fire	3,916,670				
Safety Director	56,110				
Public Health and Welfare	82,200				
Culture and Recreation		3,291,227			
Community Development	836,562				
Economic Development	347,065				
Streets and Highways					
Sanitation	968,468				
General Government	7,760,268		9,950		
Capital Outlay				1,499,192	1,476,300
Debt Service:					
Principal Retirement			1,366,110	35,215	40,870
Interest and Fiscal Charges			236,934	2,186	
<i>Total Expenditures</i>	<u>19,069,649</u>	<u>3,291,227</u>	<u>1,612,994</u>	<u>1,536,593</u>	<u>1,517,170</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>377,361</u>	<u>26,502</u>	<u>(47,598)</u>	<u>(409,443)</u>	<u>(862,741)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets				211	
Transfers In					
Transfers Out	(1,100,000)				
<i>Total Other Financing Sources (Uses)</i>	<u>(1,100,000)</u>	<u>0</u>	<u>0</u>	<u>211</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(722,639)</u>	<u>26,502</u>	<u>(47,598)</u>	<u>(409,232)</u>	<u>(862,741)</u>
<i>Restated Fund Balances Beginning of Year (See Note 19)</i>	<u>7,787,638</u>	<u>297,401</u>	<u>728,872</u>	<u>238,770</u>	<u>1,126,332</u>
<i>Fund Balances End of Year</i>	<u>\$7,064,999</u>	<u>\$323,903</u>	<u>\$681,274</u>	<u>(\$170,462)</u>	<u>\$263,591</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, 2017*

Bagley/Fry Roadway	Other Governmental Funds	Total Governmental Funds		
\$0	\$454,031	\$2,246,905	Net Change in Fund Balances - Total Governmental Funds	(\$1,778,464)
500,000	916,590	1,891,480	Amounts reported for governmental activities in the statement of activities are different because	
2,948	4	78,382	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.	
	11,735	1,010,744	Capital Asset Additions	\$6,910,686
	164,727	2,009,978	Capital Asset Deletions	(2,601,764)
	88,346	931,879	Accum Depr on Disposals	253,211
			Current Year Depreciation	<u>(2,254,576)</u>
502,948	1,635,433	28,250,095	Total	2,307,557
			Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	145,160	5,247,466	Delinquent Property Taxes	23,295
	203,609	4,120,279	Income Tax	11,003
	186,637	268,837	Intergovernmental	(43,960)
		3,291,227	Special Assessments	(115,485)
		836,562	Charges for Services	<u>72,184</u>
		347,065	Total	(52,963)
	2,022,054	2,022,054	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.	
	7,054	7,777,272	Bond and Capital Lease Principal	1,401,325
348,137	41,647	3,365,276	OPWC Loan Principal	<u>40,870</u>
		1,442,195	Total	1,442,195
49,364		288,484	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.	
397,501	2,606,161	30,031,295	Accrued Interest	3,856
105,447	(970,728)	(1,781,200)	Amortization of Bond Premium	31,078
			Amortization of Loss on Refunding	<u>(51,500)</u>
			Total	(16,566)
			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.	(90,854)
	2,525	2,736	Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	1,977,283
	1,100,000	1,100,000	Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(4,360,145)
		(1,100,000)	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.	<u>357,043</u>
0	1,102,525	2,736	Change in Net Position of Governmental Activities	<u><u>(\$214,914)</u></u>
105,447	131,797	(1,778,464)		
(2,175,920)	1,187,060	9,190,153		
<u>(\$2,070,473)</u>	<u>\$1,318,857</u>	<u>\$7,411,689</u>		

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,439,836	\$1,558,758	\$1,560,038	\$1,280
Income Taxes	15,340,000	15,340,000	14,913,389	(426,611)
Other Local Taxes	650,000	650,000	632,612	(17,388)
Intergovernmental	479,329	402,778	385,416	(17,362)
Interest	46,000	46,000	71,980	25,980
Fines, Licenses and Permits	998,325	998,325	1,002,570	4,245
Charges for Services	416,900	416,900	435,037	18,137
Other	354,300	354,300	537,856	183,556
<i>Total Revenues</i>	<u>19,724,690</u>	<u>19,767,061</u>	<u>19,538,898</u>	<u>(228,163)</u>
Expenditures				
Current:				
Security of Persons and Property:				
Police	5,327,526	5,437,950	5,095,317	342,633
Fire	4,027,779	4,106,386	3,955,508	150,878
Safety Director	75,588	76,541	55,193	21,348
Public Health and Welfare	96,400	96,400	95,600	800
Community Development	867,170	899,403	829,613	69,790
Economic Development	387,249	390,162	366,518	23,644
Sanitation	1,079,036	1,079,036	1,056,190	22,846
General Government	8,031,982	9,001,700	8,552,388	449,312
<i>Total Expenditures</i>	<u>19,892,730</u>	<u>21,087,578</u>	<u>20,006,327</u>	<u>1,081,251</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(168,040)</u>	<u>(1,320,517)</u>	<u>(467,429)</u>	<u>853,088</u>
Other Financing Sources (Uses)				
Advances Out	0	(1,125,000)	(1,075,000)	50,000
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>(2,225,000)</u>	<u>(2,175,000)</u>	<u>50,000</u>
<i>Net Change in Fund Balance</i>	<u>(1,268,040)</u>	<u>(3,545,517)</u>	<u>(2,642,429)</u>	<u>903,088</u>
<i>Fund Balance Beginning of Year</i>	4,539,998	4,539,998	4,539,998	0
Prior Year Encumbrances Appropriated	<u>503,927</u>	<u>503,927</u>	<u>503,927</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,775,885</u></u>	<u><u>\$1,498,408</u></u>	<u><u>\$2,401,496</u></u>	<u><u>\$903,088</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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Income Taxes	\$1,870,000	\$1,870,000	\$1,795,740	(\$74,260)
Charges for Services	1,526,300	1,526,300	1,455,692	(70,608)
Other	2,800	2,800	37,937	35,137
<i>Total Revenues</i>	<u>3,399,100</u>	<u>3,399,100</u>	<u>3,289,369</u>	<u>(109,731)</u>
Expenditures				
Current:				
Culture and Recreation	3,436,752	3,482,541	3,311,713	170,828
<i>Total Expenditures</i>	<u>3,436,752</u>	<u>3,482,541</u>	<u>3,311,713</u>	<u>170,828</u>
<i>Net Change in Fund Balance</i>	(37,652)	(83,441)	(22,344)	61,097
<i>Fund Balance Beginning of Year</i>	150,000	150,000	150,000	0
Prior Year Encumbrances Appropriated	22,344	22,344	22,344	0
<i>Fund Balance End of Year</i>	<u>\$134,692</u>	<u>\$88,903</u>	<u>\$150,000</u>	<u>\$61,097</u>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio

Statement of Fund Net Position

Proprietary Fund

December 31, 2017

	<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>\$1,324,957</u>
<i>Total Assets</i>	<u>1,324,957</u>
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	<u>545,264</u>
<i>Total Liabilities</i>	<u>545,264</u>
Net Position	
Unrestricted	<u>779,693</u>
<i>Total Net Position</i>	<u><u>\$779,693</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, 2017

	Governmental Activities Internal Service Fund - Health Insurance
Operating Revenues	
Charges for Services	\$3,267,384
Other	46,941
	3,314,325
 Operating Expenses	
Contractual Services	487,394
Claims	2,469,888
	2,957,282
 <i>Total Operating Revenues</i>	 3,314,325
 <i>Total Operating Expenses</i>	 2,957,282
 <i>Change in Net Position</i>	 357,043
 <i>Net Position Beginning of Year</i>	 422,650
 <i>Net Position End of Year</i>	 \$779,693

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, 2017

	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	\$3,267,384
Cash Received from Employees	46,941
Cash Payments to Suppliers for Services	(487,394)
Cash Payments for Claims	(2,253,105)
<i>Net Cash Flows From Operating Activities</i>	<i>573,826</i>
<i>Net Increase In Cash and Investments</i>	<i>573,826</i>
<i>Cash and Investments Beginning of Year</i>	<i>751,131</i>
<i>Cash and Investments End of Year</i>	<i>\$1,324,957</i>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
<i>Operating Income</i>	<i>\$357,043</i>
Adjustments:	
Increase in Claims Payable	216,783
<i>Net Cash Provided By Operating Activities</i>	<i>\$573,826</i>

See accompanying notes to the basic financial statements

City of Middleburg Heights, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2017

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	\$165,078
Cash in Segregated Accounts	<u>36,803</u>
Total Assets	<u><u>\$201,881</u></u>
Liabilities	
Deposits Held and Due to Others	<u><u>\$201,881</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, 2017

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 20 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, 2017

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The 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, 2017

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, 2017

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, 2017

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, 2017, but which were levied to finance year 2018 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, 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 2017, the portfolio of the City was limited to non-participating investment contracts (e.g., certificates of deposit), STARohio, 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, 2017, the Net APY for STAR Plus was .95%.

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 2017 amounted to \$72,352 which includes \$31 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, 2017

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount 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:

Description	Estimated Lives
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. See note 18 for interfund activity.

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

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, 2017.

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, 2017

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 \$3,088,220 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, 2017

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 2017.

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, 2017

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

For the year ended December 31, 2017, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

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).

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

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	(\$722,639)	\$26,502
Net Adjustment for Revenue Accruals	93,758	(28,360)
Fair Value Adjustment for Investments 2016	(27,797)	0
Fair Value Adjustment for Investments 2017	25,927	0
Advances In	0	0
Advances Out	(1,075,000)	0
Net Adjustment for Expenditure Accruals	245,420	35,382
Encumbrances	<u>(1,182,098)</u>	<u>(55,868)</u>
Budget Basis	<u>(\$2,642,429)</u>	<u>(\$22,344)</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 the current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes in an amount not to exceed 40 percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

The municipal court bond fund is maintained separately from the City's deposits. The carrying amount of the deposits is reported as "Cash in Segregated Accounts."

Investments - The City has a formal investment policy. The objective of the policy shall be the preservation of capital and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. All investments are in an internal investment pool.

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

The City's investments at year end were as follows:

S & P Global Ratings	Investment	Measurement Amount	Investment Maturities (in years)		% Total
			Less than 1	1-3	
	Net Asset Value (NAV) Per Share:				
AAAm	STAR Ohio	\$3,260,662	\$3,260,662	\$0	56.52%
	Fair Value - Level Two Inputs:				
AAA	Federal Home Loan Bank Bonds	2,472,697	995,001	2,472,697	42.87%
	Cost Value:				
	Middleburg Heights Manuscript Bonds	35,178		35,178	0.61%
	Total Portfolio	\$5,768,537	\$4,255,663	\$2,507,875	100.00%

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, 2017. The City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

Interest Rate Risk - As a means of limiting its exposure to fair value of losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within 5 years from the date of purchase, and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

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 standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of December 31, 2017, is 52 days.

Credit Risk - The credit risk of the City's investments is in the table above. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk - The City places no limit on the amount it may invest in any one issuer. The investment percentages are listed above.

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

Note 6 – Receivables

Receivables at December 31, 2017, 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 \$73,101 in the Bond Retirement Fund. At December 31, 2017 the amount of delinquent special assessments was \$4,807.

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 2017 for real and public utility property taxes represents collections of 2017 taxes.

2017 real property taxes are levied after October 1, 2017 on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018 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. 2017 public utility property taxes, which became a lien December 31, 2016, are levied after October 1, 2017, and collected in 2018 with real property taxes.

The tax rate for all City operations for the year ended December 31, 2017, was \$5.45 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 property tax receipts were based are as follows:

Real Property	\$490,560,840
Public Utility Tangible Property	<u>20,351,440</u>
Total Valuation	<u><u>\$510,912,280</u></u>

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.

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, 2017 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 2017 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 2017, 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

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

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	\$349,100
Homestead and Rollback	116,965
Local Government Funds	88,000
Permissive Motor Vehicle License Tax	9,731
CAT Tax Reimbursement	2,848
Berea Municipal Court	489
Total	\$567,133

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 2017, 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/ \$2 million aggregate
Travelers Insurance Co.	Employee Benefits	\$1 million per occurrence/ \$3 million aggregate
Travelers Insurance Co.	Blanket building and contents	\$59,493,807
Travelers Insurance Co.	Inland marine coverage	\$3,736,136
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	\$250,000
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

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

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 2017 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 \$2,814,919 in aggregate. In 2017, the City funded the self-insurance internal service fund at \$872 per month for single coverage and \$2,180 per month for family coverage. These charges are paid by the fund from which the employees' compensation is paid.

The claims liability of \$545,264, as estimated and reported in the internal service fund at December 31, 2017, 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
2016	\$213,583	\$2,591,986	(\$2,477,088)	\$328,481
2017	\$328,481	\$2,469,888	(\$2,253,105)	\$545,264

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, 2017, was as follows:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$5,746,011	\$1,341,625	\$0	\$7,087,636
Construction-In-Progress	8,834,469	3,148,572	(2,348,553)	9,634,488
Total Capital Assets, not being Depreciated	14,580,480	4,490,197	(2,348,553)	16,722,124

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

Capital Assets being Depreciated:

Land Improvements	1,335,764	89,925		1,425,689
Buildings and Improvements	31,484,589	140,288		31,624,877
Furniture and Fixtures	97,476			97,476
Machinery and Equipment	10,647,324	492,705	(253,211)	10,886,818
Infrastructure:				
Streets	26,564,945	675,644		27,240,589
Sidewalks	1,020,490	78,888		1,099,378
Traffic Signals	3,523,348	10,354		3,533,702
Water Mains	2,578,547	336,829		2,915,376
Sanitary Sewers	2,603,816	205,602		2,809,418
Storm Sewers	4,678,292	390,254		5,068,546
Total Capital Assets being Depreciated	<u>84,534,591</u>	<u>2,420,489</u>	<u>(253,211)</u>	<u>86,701,869</u>
Less Accumulated Depreciation:				
Land Improvements	(980,123)	(33,193)		(1,013,316)
Buildings and Improvements	(12,570,695)	(686,596)		(13,257,291)
Furniture and Fixtures	(59,098)	(5,321)		(64,419)
Machinery and Equipment	(7,353,237)	(529,329)	253,211	(7,629,355)
Infrastructure:				
Streets	(5,663,470)	(664,646)		(6,328,116)
Sidewalks	(222,477)	(25,512)		(247,989)
Traffic Signals	(2,456,145)	(176,167)		(2,632,312)
Water Mains	(528,142)	(34,381)		(562,523)
Sanitary Sewers	(648,215)	(37,054)		(685,269)
Storm Sewers	(703,965)	(62,377)		(766,342)
Total Accumulated Depreciation	<u>(31,185,567)</u>	<u>(2,254,576)</u>	<u>253,211</u>	<u>(33,186,932)</u>
Total Capital Assets being Depreciated, Net	<u>53,349,024</u>	<u>165,913</u>	<u>0</u>	<u>53,514,937</u>
Governmental Activities Capital Assets, Net	<u>\$67,929,504</u>	<u>\$4,656,110</u>	<u>(\$2,348,553)</u>	<u>\$70,237,061</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$490,236
Public Safety:	
Police	138,880
Fire	214,614
Streets and Highways	1,000,138
Culture and Recreation	410,708
Total Depreciation Expense	<u>\$2,254,576</u>

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

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

each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information including requirements for reduced and unrecorded benefits):

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those who retired 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 (CPI), capped at 3 percent.

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.00 %
Post-Employment Health Care Benefits	1.00 %
Total Employer	<u>14.00 %</u>
Employee	<u>10.00 %</u>

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$916,133 for 2017.

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 July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

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

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

Members 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-W) 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 - 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, 2017

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-Employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$1,061,150 for 2017. Of this amount, \$112,619 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2016, 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, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OPF	Total
Proportion of the Net Pension Liability:			
Current Measurement Period	0.05577748%	0.23950500%	
Prior Measurement Period	0.05722200%	0.24551000%	
Change in Proportion	-0.00144452%	-0.00600500%	
 Proportionate Share of the Net			
Pension Liability	\$ 12,666,117	\$ 15,170,026	\$ 27,836,143
Pension Expense	\$ 2,673,434	\$ 1,686,711	\$ 4,360,145

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	OPERS	OPF	Total
Deferred Outflows of Resources			
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	\$ 1,886,277	\$ 1,491,201	\$ 3,377,478
Differences between Expected and			
Actual Experience	17,168	4,292	21,460
Changes of Assumptions	2,008,999	0	2,008,999
Changes in Proportionate Share	54,108	0	54,108
City Contributions Subsequent to the Measurement Date	916,133	1,061,150	1,977,283
Total Deferred Outflows of Resources	<u>\$ 4,882,685</u>	<u>\$ 2,556,643</u>	<u>\$ 7,439,328</u>
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 75,382	\$ 34,928	\$ 110,310
Changes in Proportionate Share	122,677	759,025	881,702
Total Deferred Inflows of Resources	<u>\$ 198,059</u>	<u>\$ 793,953</u>	<u>\$ 992,012</u>

\$1,977,283 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2018	\$ 1,570,253	\$ 394,219	\$ 1,964,472
2019	1,588,044	394,221	1,982,265
2020	665,486	260,532	926,018
2021	(55,290)	(266,139)	(321,429)
2022	0	(76,060)	(76,060)
Thereafter	0	(5,233)	(5,233)
	<u>\$ 3,768,493</u>	<u>\$ 701,540</u>	<u>\$ 4,470,033</u>

Actuarial Assumptions - OPERS

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

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

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

investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	7.50 percent
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

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

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

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

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

The allocation of investment assets within 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

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

the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

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

Discount Rate The discount rate used to measure the total pension liability was 7.50 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability:	\$ 19,350,323	\$ 12,666,117	\$ 7,096,011

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

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

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
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 plus productivity increase rate of 0.5 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.60 percent simple for increases based on lesser of the increase in CPI and 3.00 percent

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in OPF's 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, 2016, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return**</u>	<u>30 Year Expected Real Rate of Return**</u>
Domestic Equity	16.00 %	4.46 %	5.21 %
Non-US Equity	16.00	4.66	5.40
Core Fixed Income*	20.00	1.67	2.37
Global Inflation Protected Securities*	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Real Assets	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
Total	<u>120.00 %</u>		

Note: Assumptions are geometric.

* levered 2x

** Numbers are net of expected 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 the relationship between asset classes and economic environments. From the notional portfolio perspective above, the total portfolio may be levered

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

up to 1.20 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, OPF’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:	\$ 20,204,651	\$ 15,170,026	\$ 10,903,077

Changes between Measurement Date and Report Date

In October 2017, the OPF Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8.00 percent. Although the exact amount of these changes is not known, it has the potential to impact the City’s net pension liability.

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 plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for health care coverage, age-and-service retirees under the traditional 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

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

by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. See OPERS CAFR referenced below for additional information.

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

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

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

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

Each year the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4 percent.

Substantially all of the City's contributions allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contributions for the years ended December 31, 2017, 2016, and 2015 were \$70,472, \$144,175, and \$144,218 respectively. The full amount has been contributed for 2017, 2016 and 2015.

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 healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

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.

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

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

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 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 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 contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2017 thru December 31, 2017. 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 also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OPF, which were allocated to fund post-employment health care benefits for the years ending December 31, 2017, 2016, and 2015 were \$25,150, \$25,858 and \$17,428, respectively. Eighty-eight percent has been contributed for police and ninety percent has been contributed for firefighters for 2017. The full amount has been contributed for 2016 and 2015.

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.

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

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.

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	\$43,510	\$513	\$0	\$0	\$0	\$0	\$0
Materials and Supplies							
Inventory	82,316	32,430					132,247
Unclaimed Monies	112,608						
Total Non-Spendable	238,434	32,943	0	0	0	0	132,247
Restricted for:							
Bond Retirement			681,274				
Recreation		290,960					
Street Construction							601,662
State Highway							127,234
Clerk of Court Computer							59,286
Law Enforcement							130,915
Police Pension							22,217
Fire Pension							22,217
Total Restricted	0	290,960	681,274	0	0	0	963,531
Committed to:							
Capital Improvements							
Street/Infrastr. Improvements					263,591		
Medical Transport							202,889
Tree Planting							12,693
Veteran's Memorial							7,115
SW General Hospital							382
Total Committed	0	0	0	0	263,591	0	223,079
Assigned for:							
Unpaid Obligations	994,245						
Unassigned:	5,832,320	0	0	(170,462)	0	(2,070,473)	0
Total Fund Balance:	\$7,064,999	\$323,903	\$681,274	(\$170,462)	\$263,591	(\$2,070,473)	\$1,318,857

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

The deficits in the Capital Improvements Fund and 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:

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 12/31/16	Additions	(Reductions)	Outstanding 12/31/17	Amounts Due in One Year
General Obligation Bonds:					
Emergency Generator	\$180,000	\$0	(\$25,000)	\$155,000	\$30,000
Community & Service Center Refunding	1,890,000		(960,000)	930,000	930,000
2013 Street Improvements	5,090,000		(265,000)	4,825,000	270,000
Unamortized Premium	249,378		(31,078)	218,300	0
Total General Obligation Bonds	7,409,378	0	(1,281,078)	6,128,300	1,230,000
Special Assessment Bonds:					
Engle Road Improvements	111,000		(50,000)	61,000	61,000
Engle Road Improvements	75,000		(10,000)	65,000	10,000
Hepburn Road Improvements	87,000		(40,000)	47,000	47,000
Fowles Road Sanitary Sewer	51,288		(16,110)	35,178	17,076
Total Special Assessment Bonds	324,288	0	(116,110)	208,178	135,076
Net Pension Liability:					
OPERS	9,911,572	2,754,545		12,666,117	
OP&F	15,793,831		(623,805)	15,170,026	
Total Net Pension Liability	25,705,403	2,754,545	(623,805)	27,836,143	0
Other Long-Term Liabilities					
2014 Capital Lease - Loader	107,801		(35,215)	72,586	35,929
Compensated Absences	2,963,928	1,887,636	(1,796,782)	3,054,782	1,737,794
OPWC - Loan	735,647		(40,870)	694,777	40,869

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

Total Other Long-Term Liabilities	3,807,376	1,887,636	(1,872,867)	3,822,145	1,814,592
Total Long-Term Liabilities	\$37,246,445	\$4,642,181	(\$3,893,860)	\$37,994,766	\$3,179,668

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.

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, 2017 the amount of defeased debt outstanding on this issue amounted to \$957,000.

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 \$53,645,789 at December 31, 2017. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2017, are as follows:

Year	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2018	\$1,230,000	\$181,025	\$135,076	\$9,760
2019	305,000	138,425	28,102	3,561
2020	310,000	131,575	15,000	2,025
2021	315,000	124,625	15,000	1,350
2022	325,000	116,150	15,000	675
2023-2027	1,585,000	440,450		
2028-2032	1,840,000	186,400		
Total	\$5,910,000	\$1,318,650	\$208,178	\$17,371

Year	OPWC Loan		Totals	
	Principal	Interest	Principal	Interest
2018	\$40,869	\$0	\$1,405,945	\$190,785
2019	40,869		373,971	141,986
2020	40,869		365,869	133,600
2021	40,869		370,869	125,975
2022	40,869		380,869	116,825

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

2023-2027	204,347		1,789,347	440,450
2028-2032	204,347		2,044,347	186,400
2033-2037	81,738		81,738	0
Total	<u>\$694,777</u>	<u>\$0</u>	<u>\$6,812,955</u>	<u>\$1,336,021</u>

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, 2017, the aggregate principal amount of conduit debt obligations outstanding is \$140,380,589.

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:

	<u>Governmental Activities</u>
	<u>2014</u>
	<u>Loader</u>
Asset:	
Machinery and Equipment	\$179,717
Less: Accum Depreciation	<u>(52,417)</u>
	<u>\$127,300</u>

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

The future minimum lease obligations and the present value of these minimum lease payments as of December 31, 2017, are as follows:

	Governmental Activities
Year Ending December 31:	Loader
2018	\$37,401
2019	37,401
Total Minimum Lease Payments	74,802
Less: Amount Representing Interest	(2,216)
Present Value of Minimum Lease Payments	\$72,586

Note 16 – Notes Payable

Note activity for the year ended December 31, 2017 are as follows:

	Outstanding 12/31/16	Additions	(Reductions)	Outstanding 12/31/17
Bagley/Fry Street Improvement 2%	\$2,475,000		(\$2,475,000)	\$0

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, 2017:

Project	Remaining on Contract
Street Improvement Program	\$90,596
Bagley Road Bridge Improvements	62,443
Big Creek Sanitary Sewers	16,221
Bagley / Fry Road Project	37,556
Bagley Road Culvert	64,776
Smith Road Project	20,790
Bagley / Baldwin Traffic Signal	30,000
Fowles Road Widening Project	609
	\$322,991

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

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

Funds	Encumbrance Commitments
General fund	\$1,182,098
Recreation Fund	55,867
Street Infrastructure Improvements Fund	286,625
Bagley/Fry Roadway Fund	35,985
Nonmajor Governmental Funds	356,025
	\$1,916,600

Note 18 – Interfund Transfers and Balances

During calendar year 2017, 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 \$525,000 from the General Fund to the Capital Improvement Fund and for \$550,000 from the General fund to the Street Infrastructure Improvement Fund were made in 2017 and will be repaid in 2018. The City also issued \$2,150,000 in Bond Anticipation Notes for Bagley/Fry Street Improvements and the City bought the notes issued.

Note 19 – Restatement of Prior Year Net Position/Fund Balance

	Governmental Activities	General Fund
Net Position, December 31, 2016	\$49,299,762	\$7,791,280
Restatement Adjustment:		
Unclaimed Monies	(3,642)	(3,642)
Net Position, December 31, 2016 as restated	\$49,296,120	\$7,787,638

The City reports the Unclaimed Monies fund with the General Fund. The interfund activity was not properly eliminated creating an overstatement of fund balance.

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

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

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 2017, the City of Middleburg Heights remitted \$186,586 to the Health Center.

B. Woodvale Union Cemetery

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 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 2017, 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 2017, the City of Middleburg Heights contributed \$18,000 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.

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

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.

Note 21 – Subsequent Events

In April 2018, the City of Middleburg Heights issued the Bagley/Fry Street Improvement Bonds, Series 2018 in the amount of \$2,200,000. The bonds carry interest rates from 1.875 percent to 3.8 percent. The debt will be serviced through the Bond Retirement Fund and will be funded through the collection of special assessments on property owners.

Required Supplementary Information



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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
City's Proportion of the Net Pension Liability	0.05577748%	0.0572220%	0.0559400%	0.0559400%
City's Proportionate Share of the Net Pension Liability	\$ 12,666,117	\$ 9,911,572	\$ 6,746,989	\$ 6,594,597
City's Covered Payroll	\$ 7,208,742	\$ 7,130,408	\$ 6,931,658	\$ 6,656,215
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.70%	139.00%	97.34%	99.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
City's Proportion of the Net Pension Liability	0.2395050%	0.2455100%	0.2600447%	0.2600447%
City's Proportionate Share of the Net Pension Liability	\$ 15,170,026	\$ 15,793,831	\$ 13,471,400	\$ 12,664,993
City's Covered Payroll	\$ 5,171,594	\$ 5,136,362	\$ 5,104,401	\$ 4,963,462
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	293.33%	307.49%	263.92%	255.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	72.20%	73.00%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 916,133	\$ 865,049	\$ 855,649	\$ 831,799
Contributions in Relation to the Contractually Required Contribution	<u>(916,133)</u>	<u>(865,049)</u>	<u>(855,649)</u>	<u>(831,799)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 7,047,179	\$ 7,208,742	\$ 7,130,408	\$ 6,931,658
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 1,061,150	\$ 1,089,883	\$ 1,089,823	\$ 1,088,457
Contributions in Relation to the Contractually Required Contribution	<u>(1,061,150)</u>	<u>(1,089,883)</u>	<u>(1,089,823)</u>	<u>(1,088,457)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 5,030,065	\$ 5,171,594	\$ 5,136,362	\$ 5,104,401
Contributions as a Percentage of Covered Payroll	21.10%	21.07%	21.22%	21.32%

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

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 865,308	n/a	n/a	n/a	n/a	n/a
<u>(865,308)</u>	n/a	n/a	n/a	n/a	n/a
<u>\$ 0</u>	n/a	n/a	n/a	n/a	n/a
\$ 6,656,215	n/a	n/a	n/a	n/a	n/a
13.00%	n/a	n/a	n/a	n/a	n/a
\$ 1,069,224	\$ 1,039,163	\$ 1,035,237	\$ 1,039,423	\$ 996,565	\$ 978,894
<u>(1,069,224)</u>	<u>(1,039,163)</u>	<u>(1,035,237)</u>	<u>(1,039,423)</u>	<u>(996,565)</u>	<u>(978,894)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 4,963,462	\$ 4,821,539	\$ 4,804,760	\$ 4,846,103	\$ 4,633,630	\$ 4,551,984
21.54%	21.55%	21.55%	21.45%	21.51%	21.50%

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.

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City of Middleburg Heights, Ohio

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2017

	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
Assets:		
Equity in Pooled Cash and Investments	\$1,121,304	\$1,121,304
Materials and Supplies Inventory	132,247	132,247
Accounts Receivable	86,804	86,804
Intergovernmental Receivable	380,177	380,177
Property Taxes Receivable	455,364	455,364
<i>Total Assets</i>	<u>2,175,896</u>	<u>2,175,896</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$2,175,896</u></u>	<u><u>\$2,175,896</u></u>
Liabilities:		
Accounts Payable	\$76,897	\$76,897
Accrued Wages	12,000	12,000
<i>Total Liabilities</i>	<u>88,897</u>	<u>88,897</u>
Deferred Inflows of Resources:		
Property Taxes	428,982	428,982
Unavailable Revenue-Delinquent Property Taxes	26,382	26,382
Unavailable Revenue-Other	312,778	312,778
<i>Total Deferred Inflows of Resources</i>	<u>768,142</u>	<u>768,142</u>
Fund Balances		
Non-Spendable	132,247	132,247
Restricted	963,531	963,531
Committed	223,079	223,079
<i>Total Fund Balances</i>	<u>1,318,857</u>	<u>1,318,857</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$2,175,896</u></u>	<u><u>\$2,175,896</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, 2017

	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
Revenues		
Property Taxes	\$454,031	\$454,031
Intergovernmental	916,590	916,590
Interest	4	4
Fines, Licenses and Permits	11,735	11,735
Charges for Services	164,727	164,727
Other	88,346	88,346
<i>Total Revenues</i>	<u>1,635,433</u>	<u>1,635,433</u>
Expenditures		
Current:		
Security of Persons and Property:		
Police	145,160	145,160
Fire	203,609	203,609
Public Health and Welfare	186,637	186,637
Streets and Highways	2,022,054	2,022,054
General Government	7,054	7,054
Capital Outlay	41,647	41,647
<i>Total Expenditures</i>	<u>2,606,161</u>	<u>2,606,161</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(970,728)</u>	<u>(970,728)</u>
Other Financing Sources		
Sale of Capital Assets	2,525	2,525
Transfers In	1,100,000	1,100,000
<i>Total Other Financing Sources</i>	<u>1,102,525</u>	<u>1,102,525</u>
<i>Net Change in Fund Balances</i>	131,797	131,797
<i>Fund Balances Beginning of Year</i>	<u>1,187,060</u>	<u>1,187,060</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,318,857</u></u>	<u><u>\$1,318,857</u></u>

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

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport
Assets:					
Equity in Pooled Cash and Investments	\$558,962	\$114,476	\$59,286	\$130,865	\$193,091
Materials and Supplies Inventory	122,469	9,778			
Accounts Receivable					86,804
Intergovernmental Receivable	329,051	29,780		50	
Property Taxes Receivable					
<i>Total Assets</i>	<u>1,010,482</u>	<u>154,034</u>	<u>59,286</u>	<u>130,915</u>	<u>279,895</u>
Liabilities:					
Accounts Payable	\$64,418	\$0	\$0	\$0	\$12,479
Accrued Wages	12,000				
<i>Total Liabilities</i>	<u>76,418</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,479</u>
Deferred Inflows of Resources:					
Property Taxes					
Unavailable Revenue-Delinquent Property Taxes					
Unavailable Revenue-Other	209,933	17,022			64,527
<i>Total Deferred Inflows of Resources</i>	<u>209,933</u>	<u>17,022</u>	<u>0</u>	<u>0</u>	<u>64,527</u>
Fund Balances:					
Non-Spendable	122,469	9,778			
Restricted	601,662	127,234	59,286	130,915	
Committed					202,889
<i>Total Fund Balances</i>	<u>724,131</u>	<u>137,012</u>	<u>59,286</u>	<u>130,915</u>	<u>202,889</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$1,010,482</u>	<u>\$154,034</u>	<u>\$59,286</u>	<u>\$130,915</u>	<u>\$279,895</u>

(continued)

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

	Police Pension	Fire Pension	Tree Planting	Veteran's Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
Assets:						
Equity in Pooled Cash and Investments	\$22,217	\$22,217	\$12,693	\$7,115	\$382	\$1,121,304
Materials and Supplies Inventory						132,247
Accounts Receivable						86,804
Intergovernmental Receivable	7,456	7,456			6,384	380,177
Property Taxes Receivable	140,561	140,561			174,242	455,364
<i>Total Assets</i>	<u>170,234</u>	<u>170,234</u>	<u>12,693</u>	<u>7,115</u>	<u>181,008</u>	<u>2,175,896</u>
Liabilities:						
Accounts Payable	\$0	\$0	\$0	\$0	\$0	\$76,897
Accrued Wages						12,000
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>88,897</u>
Deferred Inflows of Resources:						
Property Taxes	132,324	132,324			164,334	428,982
Unavailable Revenue-Delinquent Property Taxes	8,237	8,237			9,908	26,382
Unavailable Revenue-Other	7,456	7,456			6,384	312,778
<i>Total Deferred Inflows of Resources</i>	<u>148,017</u>	<u>148,017</u>	<u>0</u>	<u>0</u>	<u>180,626</u>	<u>768,142</u>
Fund Balances:						
Non-Spendable						132,247
Restricted	22,217	22,217				963,531
Committed			12,693	7,115	382	223,079
<i>Total Fund Balances</i>	<u>22,217</u>	<u>22,217</u>	<u>12,693</u>	<u>7,115</u>	<u>382</u>	<u>1,318,857</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$170,234</u>	<u>\$170,234</u>	<u>\$12,693</u>	<u>\$7,115</u>	<u>\$181,008</u>	<u>\$2,175,896</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, 2017

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport
Revenues					
Property Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	796,840	67,710		5,940	4,750
Interest	3	1			
Fines, Licenses and Permits			5,712	6,023	
Charges for Services	3,465				160,737
Other	86,554				1,792
<i>Total Revenues</i>	<u>886,862</u>	<u>67,711</u>	<u>5,712</u>	<u>11,963</u>	<u>167,279</u>
Expenditures					
Current:					
Security of Persons and Property:					
Police				115	
Fire					58,564
Public Health and Welfare					
Streets and Highways	1,928,288	93,766			
General Government			7,054		
Capital Outlay					41,647
<i>Total Expenditures</i>	<u>1,928,288</u>	<u>93,766</u>	<u>7,054</u>	<u>115</u>	<u>100,211</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,041,426)</u>	<u>(26,055)</u>	<u>(1,342)</u>	<u>11,848</u>	<u>67,068</u>
Other Financing Sources					
Sale of Capital Assets				2,525	
Transfers In	1,100,000				
<i>Total Other Financing Sources</i>	<u>1,100,000</u>	<u>0</u>	<u>0</u>	<u>2,525</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	58,574	(26,055)	(1,342)	14,373	67,068
<i>Fund Balances Beginning of Year</i>	<u>665,557</u>	<u>163,067</u>	<u>60,628</u>	<u>116,542</u>	<u>135,821</u>
<i>Fund Balances End of Year</i>	<u>\$724,131</u>	<u>\$137,012</u>	<u>\$59,286</u>	<u>\$130,915</u>	<u>\$202,889</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, 2017

	Police Pension	Fire Pension	Tree Planting	Veteran's Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
Revenues						
Property Taxes	\$139,701	\$139,701	\$0	\$0	\$174,629	\$454,031
Intergovernmental	14,480	14,480			12,390	916,590
Interest						4
Fines, Licenses and Permits						11,735
Charges for Services			525			164,727
Other						88,346
<i>Total Revenues</i>	<u>154,181</u>	<u>154,181</u>	<u>525</u>	<u>0</u>	<u>187,019</u>	<u>1,635,433</u>
Expenditures						
Current:						
Security of Persons and Property:						
Police	145,045					145,160
Fire		145,045				203,609
Public Health and Welfare					186,637	186,637
Streets and Highways						2,022,054
General Government						7,054
Capital Outlay						41,647
<i>Total Expenditures</i>	<u>145,045</u>	<u>145,045</u>	<u>0</u>	<u>0</u>	<u>186,637</u>	<u>2,606,161</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>9,136</u>	<u>9,136</u>	<u>525</u>	<u>0</u>	<u>382</u>	<u>(970,728)</u>
Other Financing Sources						
Sale of Capital Assets						2,525
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>1,102,525</u>
<i>Net Change in Fund Balances</i>	9,136	9,136	525	0	382	131,797
<i>Fund Balances Beginning of Year</i>	13,081	13,081	12,168	7,115	0	1,187,060
<i>Fund Balances End of Year</i>	<u>\$22,217</u>	<u>\$22,217</u>	<u>\$12,693</u>	<u>\$7,115</u>	<u>\$382</u>	<u>\$1,318,857</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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,439,836	\$1,558,758	\$1,560,038	\$1,280
Income Taxes	15,340,000	15,340,000	14,913,389	(426,611)
Other Local Taxes	650,000	650,000	632,612	(17,388)
Intergovernmental	479,329	402,778	385,416	(17,362)
Interest	46,000	46,000	71,980	25,980
Fines, Licenses and Permits	998,325	998,325	1,002,570	4,245
Charges for Services	416,900	416,900	435,037	18,137
Other	354,300	354,300	537,856	183,556
<i>Total Revenues</i>	<i>19,724,690</i>	<i>19,767,061</i>	<i>19,538,898</i>	<i>(228,163)</i>
Expenditures				
Current:				
Security of Persons and Property:				
Police:				
Personal Services	4,872,707	4,968,067	4,697,319	270,748
Other	454,819	469,883	397,998	71,885
Total Police	5,327,526	5,437,950	5,095,317	342,633
Fire:				
Personal Services	3,685,720	3,759,496	3,622,881	136,615
Other	342,059	346,890	332,627	14,263
Total Fire	4,027,779	4,106,386	3,955,508	150,878
Safety Director:				
Personal Services	75,013	75,966	54,635	21,331
Other	575	575	558	17
Total Safety Director	75,588	76,541	55,193	21,348
Total Security of Persons and Property	9,430,893	9,620,877	9,106,018	514,859
Public Health and Welfare:				
Senior Bus:				
Other	96,400	96,400	95,600	800
Total Senior Bus	96,400	96,400	95,600	800
Total Public Health and Welfare	\$96,400	\$96,400	\$95,600	\$800

(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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Community Development:				
Planning and Zoning:				
Personal Services	\$104,100	\$105,325	\$100,751	\$4,574
Other	4,656	4,656	1,699	2,957
Total Planning and Zoning	108,756	109,981	102,450	7,531
Building:				
Personal Services	678,229	689,217	633,853	55,364
Other	26,001	46,021	40,901	5,120
Total Building	704,230	735,238	674,754	60,484
Engineer:				
Other	54,184	54,184	52,409	1,775
Total Engineer	54,184	54,184	52,409	1,775
Total Community Development	867,170	899,403	829,613	69,790
Economic Development:				
Personal Services	155,675	158,588	156,588	2,000
Other	231,574	231,574	209,930	21,644
Total Economic Development	387,249	390,162	366,518	23,644
Sanitation:				
Other	1,079,036	1,079,036	1,056,190	22,846
Total Sanitation	1,079,036	1,079,036	1,056,190	22,846
General Government:				
Mayor's Court:				
Personal Services	271,067	275,275	265,400	9,875
Other	14,399	14,399	5,624	8,775
Total Mayor's Court	285,466	289,674	271,024	18,650
Mayor:				
Personal Services	546,236	551,098	541,386	9,712
Other	23,410	23,410	16,954	6,456
Total Mayor	\$569,646	\$574,508	\$558,340	\$16,168

(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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Finance:				
Personal Services	\$625,373	\$635,203	\$555,443	\$79,760
Other	38,530	43,330	40,884	2,446
Total Finance	663,903	678,533	596,327	82,206
Law:				
Personal Services	322,841	328,116	322,691	5,425
Other	79,546	145,546	134,207	11,339
Total Law	402,387	473,662	456,898	16,764
Service:				
Personal Services	2,810,825	2,865,503	2,791,563	73,940
Other	357,536	374,036	361,270	12,766
Total Service	3,168,361	3,239,539	3,152,833	86,706
Facilities Maintenance:				
Personal Services	409,951	419,045	414,116	4,929
Other	267,756	267,756	241,300	26,456
Total Facilities Maintenance	677,707	686,801	655,416	31,385
Council:				
Personal Services	442,390	445,577	428,838	16,739
Other	13,400	13,400	11,701	1,699
Total Council	455,790	458,977	440,539	18,438
Boards and Commissions:				
Personal Services	3,129	3,141	1,676	1,465
Other	10,050	10,050	6,556	3,494
Total Boards and Commissions	13,179	13,191	8,232	4,959
City Hall:				
Personal Services	150,000	194,000	193,681	319
Other	893,395	1,640,667	1,499,206	141,461
Total City Hall	1,043,395	1,834,667	1,692,887	141,780
Statutory Accounts:				
Other	752,148	752,148	719,892	32,256
Total Statutory Accounts	752,148	752,148	719,892	32,256
Total General Government	8,031,982	9,001,700	8,552,388	449,312
Total Expenditures	\$19,892,730	\$21,087,578	\$20,006,327	\$1,081,251

(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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Excess of Revenues Over (Under) Expenditures</i>	(\$168,040)	(\$1,320,517)	(\$467,429)	\$853,088
Other Financing Sources (Uses)				
Advances Out	0	(1,125,000)	(1,075,000)	50,000
Transfers Out	(1,100,000)	(1,100,000)	(1,100,000)	0
<i>Total Other Financing Sources (Uses)</i>	(1,100,000)	(2,225,000)	(2,175,000)	50,000
<i>Net Change in Fund Balance</i>	(1,268,040)	(3,545,517)	(2,642,429)	903,088
<i>Fund Balance Beginning of Year</i>	4,539,998	4,539,998	4,539,998	0
Prior Year Encumbrances Appropriated	503,927	503,927	503,927	0
<i>Fund Balance End of Year</i>	<u>\$3,775,885</u>	<u>\$1,498,408</u>	<u>\$2,401,496</u>	<u>\$903,088</u>

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Income Taxes	\$1,870,000	\$1,870,000	\$1,795,740	(\$74,260)
Charges for Services	1,526,300	1,526,300	1,455,692	(70,608)
Other	2,800	2,800	37,937	35,137
<i>Total Revenues</i>	<u>3,399,100</u>	<u>3,399,100</u>	<u>3,289,369</u>	<u>(109,731)</u>
Expenditures				
Current:				
Culture and Recreation:				
Personal Services	2,593,283	2,639,072	2,561,794	77,278
Other	843,469	843,469	749,919	93,550
<i>Total Expenditures</i>	<u>3,436,752</u>	<u>3,482,541</u>	<u>3,311,713</u>	<u>170,828</u>
<i>Net Change in Fund Balance</i>	(37,652)	(83,441)	(22,344)	61,097
<i>Fund Balance Beginning of Year</i>	150,000	150,000	150,000	0
Prior Year Encumbrances Appropriated	<u>22,344</u>	<u>22,344</u>	<u>22,344</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$134,692</u>	<u>\$88,903</u>	<u>\$150,000</u>	<u>\$61,097</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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$214,901	\$232,645	\$232,836	\$191
Income Taxes	1,158,000	1,158,000	1,158,000	\$0
Special Assessments	155,000	155,000	189,301	34,301
Intergovernmental	544,952	44,068	44,068	0
Interest	3,077	3,077	3,077	0
<i>Total Revenues</i>	<u>2,075,930</u>	<u>1,592,790</u>	<u>1,627,282</u>	<u>34,492</u>
Expenditures				
Current:				
General Government:				
Other	12,300	12,300	9,950	2,350
Debt Service:				
Principal Retirement	3,841,200	1,366,200	1,366,110	90
Interest and Fiscal Charges	286,600	237,100	236,933	167
<i>Total Expenditures</i>	<u>4,140,100</u>	<u>1,615,600</u>	<u>1,612,993</u>	<u>2,607</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(2,064,170)</u>	<u>(22,810)</u>	<u>14,289</u>	<u>37,099</u>
Other Financing Sources (Uses)				
Note Proceeds	2,024,500	0	0	0
<i>Total Other Financing Sources</i>	<u>2,024,500</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(39,670)	(22,810)	14,289	37,099
<i>Fund Balance Beginning of Year</i>	<u>526,990</u>	<u>526,990</u>	<u>526,990</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$487,320</u>	<u>\$504,180</u>	<u>\$541,279</u>	<u>\$37,099</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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Income Taxes	\$964,000	\$964,000	\$937,112	(\$26,888)
Other	7,000	180,113	192,460	12,347
<i>Total Revenues</i>	<u>971,000</u>	<u>1,144,113</u>	<u>1,129,572</u>	<u>(14,541)</u>
Expenditures				
Capital Outlay	950,100	1,706,213	1,680,554	25,659
<i>Total Expenditures</i>	<u>950,100</u>	<u>1,706,213</u>	<u>1,680,554</u>	<u>25,659</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>20,900</u>	<u>(562,100)</u>	<u>(550,982)</u>	<u>11,118</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	211	211
Advances In	0	525,000	525,000	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>525,000</u>	<u>525,211</u>	<u>211</u>
<i>Net Change in Fund Balance</i>	20,900	(37,100)	(25,771)	11,329
<i>Fund Balance Beginning of Year</i>	70,747	70,747	70,747	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$91,647</u>	<u>\$33,647</u>	<u>\$44,976</u>	<u>\$11,329</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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Income Taxes	\$558,000	\$558,000	\$531,287	(\$26,713)
Intergovernmental	0	50,000	50,000	0
Charges for Services	1,000	1,000	135	(865)
Interest	0	0	0	0
Other	16,000	74,000	75,278	1,278
<i>Total Revenues</i>	<u>575,000</u>	<u>683,000</u>	<u>656,700</u>	<u>(26,300)</u>
Expenditures				
Current:				
Capital Outlay	1,499,658	1,947,448	1,751,405	196,043
Total Capital Outlay	<u>1,499,658</u>	<u>1,947,448</u>	<u>1,751,405</u>	<u>196,043</u>
Debt Service:				
Principal Retirement	0	0	40,870	(40,870)
Total Debt Service	<u>0</u>	<u>0</u>	<u>40,870</u>	<u>(40,870)</u>
<i>Total Expenditures</i>	<u>1,499,658</u>	<u>1,947,448</u>	<u>1,792,275</u>	<u>155,173</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(924,658)</u>	<u>(1,264,448)</u>	<u>(1,135,575)</u>	<u>128,873</u>
Other Financing Sources (Uses)				
Advances In	0	600,000	550,000	(50,000)
<i>Total Other Financing Sources</i>	<u>0</u>	<u>600,000</u>	<u>550,000</u>	<u>(50,000)</u>
<i>Net Change in Fund Balance</i>	(924,658)	(664,448)	(585,575)	78,873
<i>Fund Balance Beginning of Year</i>	803,755	803,755	803,755	0
Prior Year Encumbrances Appropriated	<u>239,658</u>	<u>239,658</u>	<u>239,658</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$118,755</u>	<u>\$378,965</u>	<u>\$457,838</u>	<u>\$78,873</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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$0	\$500,000	\$500,000	\$0
Interest	<u>0</u>	<u>0</u>	<u>2,948</u>	<u>2,948</u>
<i>Total Revenues</i>	<u>0</u>	<u>500,000</u>	<u>502,948</u>	<u>2,948</u>
Expenditures				
Current:				
Capital Outlay	474,261	653,761	562,661	91,100
Total Capital Outlay	<u>474,261</u>	<u>653,761</u>	<u>562,661</u>	<u>91,100</u>
Debt Service:				
Principal Retirement	0	2,475,000	2,475,000	0
Interest and Fiscal Charges	<u>0</u>	<u>49,500</u>	<u>49,364</u>	<u>136</u>
Total Debt Service	<u>0</u>	<u>2,524,500</u>	<u>2,524,364</u>	<u>136</u>
<i>Total Expenditures</i>	<u>474,261</u>	<u>3,178,261</u>	<u>3,087,025</u>	<u>91,236</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(474,261)</u>	<u>(2,678,261)</u>	<u>(2,584,077)</u>	<u>94,184</u>
Other Financing Sources (Uses)				
Note Proceeds	<u>0</u>	<u>2,150,000</u>	<u>2,150,000</u>	<u>0</u>
<i>Total Other Financing Sources</i>	<u>0</u>	<u>2,150,000</u>	<u>2,150,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(474,261)	(528,261)	(434,077)	94,184
<i>Fund Balance Beginning of Year</i>	3,358	3,358	3,358	0
Prior Year Encumbrances Appropriated	<u>474,261</u>	<u>474,261</u>	<u>474,261</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$3,358</u>	<u>(\$50,642)</u>	<u>\$43,542</u>	<u>\$94,184</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$770,000	\$770,000	\$797,577	\$27,577
Interest	100	100	3	(97)
Charges for Services	6,000	6,000	6,465	465
Other	33,550	33,550	86,554	53,004
<i>Total Revenues</i>	<u>809,650</u>	<u>809,650</u>	<u>890,599</u>	<u>80,949</u>
Expenditures				
Current:				
Transportation:				
Streets and Highways:				
Personal Services	909,170	937,816	894,082	43,734
Other	1,128,030	1,232,630	1,118,815	113,815
<i>Total Expenditures</i>	<u>2,037,200</u>	<u>2,170,446</u>	<u>2,012,897</u>	<u>157,549</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,227,550)</u>	<u>(1,360,796)</u>	<u>(1,122,298)</u>	<u>238,498</u>
Other Financing Sources				
Transfers In	1,100,000	1,100,000	1,100,000	0
<i>Net Change in Fund Balance</i>	(127,550)	(260,796)	(22,298)	238,498
<i>Fund Balance Beginning of Year</i>	286,440	286,440	286,440	0
Prior Year Encumbrances Appropriated	120,630	120,630	120,630	0
<i>Fund Balance End of Year</i>	<u>\$279,520</u>	<u>\$146,274</u>	<u>\$384,772</u>	<u>\$238,498</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, 2017

	<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	\$64,668	\$2,668
Interest	50	50	1	(49)
Other	2,000	2,000	0	(2,000)
<i>Total Revenues</i>	<u>64,050</u>	<u>64,050</u>	<u>64,669</u>	<u>619</u>
Expenditures				
Current:				
Transportation:				
Streets and Highways:				
Other	133,000	133,000	70,698	62,302
<i>Net Change in Fund Balance</i>	(68,950)	(68,950)	(6,029)	62,921
<i>Fund Balance Beginning of Year</i>	60,504	60,504	60,504	0
Prior Year Encumbrances Appropriated	60,000	60,000	60,000	0
<i>Fund Balance End of Year</i>	<u>\$51,554</u>	<u>\$51,554</u>	<u>\$114,475</u>	<u>\$62,921</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, 2017

	<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>\$7,000</u>	<u>\$7,000</u>	<u>\$5,712</u>	<u>(\$1,288)</u>
Expenditures				
Current:				
General Government:				
Other	<u>12,120</u>	<u>12,120</u>	<u>7,793</u>	<u>4,327</u>
<i>Net Change in Fund Balance</i>	(5,120)	(5,120)	(2,081)	3,039
<i>Fund Balance Beginning of Year</i>	60,554	60,554	60,554	0
Prior Year Encumbrances Appropriated	<u>500</u>	<u>500</u>	<u>500</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$55,934</u></u>	<u><u>\$55,934</u></u>	<u><u>\$58,973</u></u>	<u><u>\$3,039</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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$0	\$0	\$5,940	\$5,940
Fines, Licenses and Permits	2,700	2,700	5,998	3,298
<i>Total Revenues</i>	<u>2,700</u>	<u>2,700</u>	<u>11,938</u>	<u>9,238</u>
Expenditures				
Public Safety:				
Other	7,500	7,500	115	7,385
Total Transportation	7,500	7,500	115	7,385
<i>Total Expenditures</i>	<u>7,500</u>	<u>7,500</u>	<u>115</u>	<u>7,385</u>
<i>Excess of Revenues Over Expenditures</i>	(4,800)	(4,800)	11,823	16,623
Other Financing Sources				
Sales of Fixed Assets	0	0	2,525	2,525
<i>Total Other Financing Uses</i>	<u>0</u>	<u>0</u>	<u>2,525</u>	<u>2,525</u>
<i>Net Change in Fund Balance</i>	(4,800)	(4,800)	14,348	19,148
<i>Fund Balance Beginning of Year</i>	<u>116,517</u>	<u>116,517</u>	<u>116,517</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$111,717</u>	<u>\$111,717</u>	<u>\$130,865</u>	<u>\$19,148</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, 2017

	<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	\$168,000	\$168,000	\$174,236	\$6,236
Intergovernmental	2,000	2,000	4,750	2,750
Other	0	0	1,792	1,792
<i>Total Revenues</i>	<u>170,000</u>	<u>170,000</u>	<u>180,778</u>	<u>10,778</u>
Expenditures				
Current:				
Transportation:				
Public Safety:				
Personal Services	38,227	38,227	19,331	18,896
Other	48,908	48,908	47,130	1,778
Capital Outlay	47,518	47,518	43,233	4,285
<i>Total Expenditures</i>	<u>134,653</u>	<u>134,653</u>	<u>109,694</u>	<u>24,959</u>
<i>Net Change in Fund Balance</i>	35,347	35,347	71,084	35,737
<i>Fund Balance Beginning of Year</i>	93,700	93,700	93,700	0
Prior Year Encumbrances Appropriated	14,426	14,426	14,426	0
<i>Fund Balance End of Year</i>	<u>\$143,473</u>	<u>\$143,473</u>	<u>\$179,210</u>	<u>\$35,737</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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$130,342	\$139,587	\$139,701	\$114
Intergovernmental	14,907	14,480	14,480	0
<i>Total Revenues</i>	<u>145,249</u>	<u>154,067</u>	<u>154,181</u>	<u>114</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	145,000	145,000	145,000	0
Other	100	100	45	55
<i>Total Expenditures</i>	<u>145,100</u>	<u>145,100</u>	<u>145,045</u>	<u>55</u>
<i>Net Change in Fund Balance</i>	149	8,967	9,136	169
<i>Fund Balance Beginning of Year</i>	<u>13,081</u>	<u>13,081</u>	<u>13,081</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$13,230</u>	<u>\$22,048</u>	<u>\$22,217</u>	<u>\$169</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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$130,342	\$139,587	\$139,701	\$114
Intergovernmental	14,907	14,480	14,480	0
<i>Total Revenues</i>	<u>145,249</u>	<u>154,067</u>	<u>154,181</u>	<u>114</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	145,000	145,000	145,000	0
Other	100	100	45	55
<i>Total Expenditures</i>	<u>145,100</u>	<u>145,100</u>	<u>145,045</u>	<u>55</u>
<i>Net Change in Fund Balance</i>	149	8,967	9,136	169
<i>Fund Balance Beginning of Year</i>	<u>13,081</u>	<u>13,081</u>	<u>13,081</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$13,230</u>	<u>\$22,048</u>	<u>\$22,217</u>	<u>\$169</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, 2017

	<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	\$500	\$500	\$525	\$25
Expenditures				
Current:				
General Government:				
Other	10,500	10,500	0	10,500
<i>Net Change in Fund Balance</i>	(10,000)	(10,000)	525	10,525
<i>Fund Balance Beginning of Year</i>	12,168	12,168	12,168	0
<i>Fund Balance End of Year</i>	<u>\$2,168</u>	<u>\$2,168</u>	<u>\$12,693</u>	<u>\$10,525</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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$0	\$0	\$0	\$0
<i>Total Revenues</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Current:				
General Government:				
Other	7,100	7,100	0	7,100
<i>Net Change in Fund Balance</i>	(7,100)	(7,100)	0	7,100
<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><u>\$15</u></u>	<u><u>\$15</u></u>	<u><u>\$7,115</u></u>	<u><u>\$7,100</u></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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$162,090	\$174,247	\$174,629	\$382
Intergovernmental	12,755	12,390	12,390	0
<i>Total Revenues</i>	<u>174,845</u>	<u>186,637</u>	<u>187,019</u>	<u>382</u>
Expenditures				
Current:				
Public Health and Welfare:				
Other	173,429	186,637	186,637	0
<i>Net Change in Fund Balance</i>	1,416	0	382	382
<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>\$1,416</u>	<u>\$0</u>	<u>\$382</u>	<u>\$382</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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Services	<u>\$3,364,000</u>	<u>\$3,364,000</u>	<u>\$3,314,325</u>	<u>(\$49,675)</u>
<i>Total Revenues</i>	<u>\$3,364,000</u>	<u>\$3,364,000</u>	<u>\$3,314,325</u>	<u>(\$49,675)</u>
Expenditures				
General Government:				
Other	<u>3,405,000</u>	<u>3,405,000</u>	<u>2,740,499</u>	<u>664,501</u>
<i>Net Change in Fund Balance</i>	(41,000)	(41,000)	573,826	614,826
<i>Fund Balance Beginning of Year</i>	<u>751,131</u>	<u>751,131</u>	<u>751,131</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$710,131</u>	<u>\$710,131</u>	<u>\$1,324,957</u>	<u>\$614,826</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, 2017

	Ending Balance 12/31/16	Additions	Deductions	Ending Balance 12/31/17
<i>Flexible Spending Account</i>				
Assets				
Equity in Pooled Cash and Investments	\$9,060	\$82,054	\$72,410	\$18,704
Liabilities				
Deposits Held and Due to Others	\$9,060	\$82,054	\$72,410	\$18,704
<i>Board of Buildings Standards Fee</i>				
Assets				
Equity in Pooled Cash and Investments	\$54	\$8,194	\$4,428	\$3,820
Liabilities				
Deposits Held and Due to Others	\$54	\$8,194	\$4,428	\$3,820
<i>Mayor's Court</i>				
Assets				
Cash in Segregated Accounts	\$39,465	\$524,274	\$526,936	\$36,803
Liabilities				
Deposits Held and Due to Others	\$39,465	\$524,274	\$526,936	\$36,803
<i>Deposits</i>				
Assets				
Equity in Pooled Cash and Investments	\$119,253	\$111,598	\$88,297	\$142,554
Liabilities				
Deposits Held and Due to Others	\$119,253	\$111,598	\$88,297	\$142,554
<i>Total - All Agency Funds</i>				
Assets				
Equity in Pooled Cash and Investments	\$128,367	\$201,846	\$165,135	\$165,078
Cash in Segregated Accounts	39,465	524,274	526,936	36,803
Total Assets	\$167,832	\$726,120	\$692,071	\$201,881
Liabilities				
Deposits Held and Due to Others	\$167,832	\$726,120	\$692,071	\$201,881

Statistical Section



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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>	98
<i>Changes in Net Position-Last Ten Years</i>	99
<i>Fund Balances, Governmental Funds- Last Ten Years</i>	101
<i>Changes in Fund Balances, Governmental Funds-Last Ten Years</i>	103

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>	105
<i>Income Tax Revenue Base and Collections-Last Ten Years</i>	106
<i>Principal Taxpayers-Current Year and Nine Years Ago</i>	107
<i>Property Tax Rates-All Direct and Overlapping Governments</i>	108
<i>Assessed and Estimated Actual Value of Taxable Property-Last Ten Years</i>	109
<i>Property Tax Levies and Collections-Real and Public Utility Taxes-Last Ten Years</i>	110

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>	111
<i>Computation of Direct and Overlapping Debt</i>	113

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>	114
<i>Principal Employers-Current Year and Nine Years Ago</i>	115

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>	116
<i>Operating Indicators by Function/Program-Last Ten Years</i>	117
<i>Capital Asset Statistics by Function/Program-Last Ten Years</i>	119

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.

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

	2017	Restated 2016 (3)	Restated 2015 (2)	Restated 2014 (1)	2013	2012	2011	2010	2009	2008
Governmental Activities										
Net Investment in Capital Assets	\$63,171,346	\$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
Restricted for:										
Capital Projects	298,631	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
Debt Service	967,747	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
Other Purposes	1,821,842	1,605,793	418,789	447,659	448,796	409,375	452,608	482,196	492,426	469,104
Unrestricted	-17,178,360	-12,177,620	-10,862,005	-11,130,064	5,012,054	6,692,960	6,006,694	5,344,333	5,796,309	4,575,931
Total Net Position	\$49,081,206	\$49,296,120	\$46,687,440	\$43,151,695	\$61,041,368	\$58,814,724	\$56,814,522	\$55,092,564	\$53,679,213	\$45,272,683

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

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

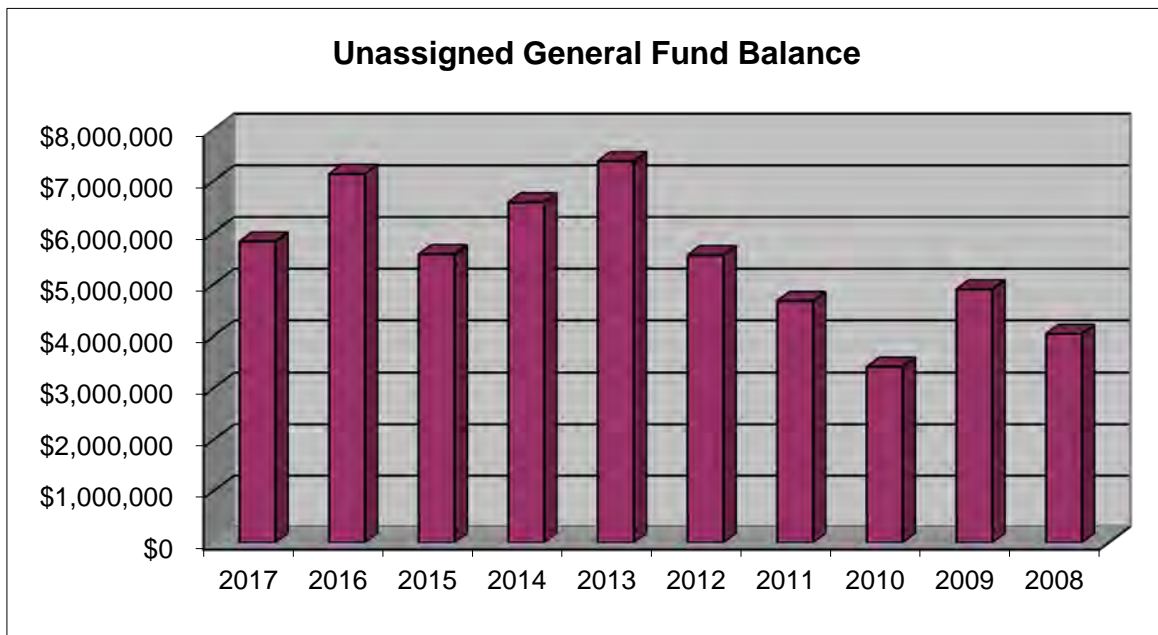
(3) Restatement related to unclaimed monies. See Note 19.

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

	<i>Restated</i>									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Program Revenues										
Governmental Activities:										
Charges for Services:										
Security of Persons and Property:										
Police	\$426,669	\$459,238	\$527,687	\$630,532	\$671,898	\$664,237	\$684,320	\$620,746	\$642,294	\$683,545
Fire	611,968	626,497	621,758	545,110	530,050	503,394	512,706	462,126	434,991	426,413
Public Health and Welfare	9,284	9,719	14,416	20,441	22,075	25,508	23,924	22,980	16,515	1,733
Culture and Recreation	1,441,576	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
Community Development	405,891	218,136	355,833	155,356	819,185	409,400	233,664	144,288	185,671	186,603
Economic Development	4,168	5,299	5,024	4,991	6,443	4,784	4,275	5,768	3,000	1,500
Streets and Highways	5,100	8,245	7,361	11,687	11,854	10,017	8,058	18,482	10,875	24,426
General Government	189,750	206,015	204,888	191,457	181,832	212,840	178,816	176,929	165,561	148,066
Operating Grants and Contributions	863,898	841,685	861,227	832,490	929,590	848,150	842,714	862,290	849,270	875,100
Capital Grants and Contributions	3,591,507	3,196,889	3,772,688	249,438	752,693	1,238,019	1,289,377	1,183,203	7,258,633	162,694
Total Governmental Activities Program Revenues	7,549,811	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
Expenses										
Governmental Activities:										
Security of Persons and Property:										
Police	5,721,292	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
Fire	4,664,396	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
Safety Director	65,336	76,087	69,035	68,014	64,010	61,957	58,909	59,728	57,850	55,867
Public Health and Welfare	268,837	265,118	299,048	310,506	311,680	307,505	330,767	362,515	339,612	284,520
Culture and Recreation	4,280,980	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
Community Development	951,924	836,514	765,089	702,208	603,864	555,959	534,590	552,358	579,608	620,457
Economic Development	374,547	355,895	329,441	328,977	402,294	326,237	305,201	325,270	286,350	164,696
Streets and Highways	4,635,443	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
Sanitation	968,468	972,643	974,028	1,135,741	1,080,775	1,075,455	1,091,845	933,094	948,225	939,330
General Government	9,193,766	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
Interest and Fiscal Charges	305,050	303,708	351,198	401,271	520,272	511,361	457,423	527,452	580,827	474,061
Total Governmental Activities Expenses	31,430,039	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

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

	2017	<i>Restated</i> 2016	2015	2014
General Fund				
Nonspendable	\$238,434	\$340,009	\$230,977	\$294,315
Assigned	994,245	305,282	399,133	291,201
Unassigned	5,832,320	7,142,347	5,592,477	6,598,310
<i>Total General Fund</i>	<u>7,064,999</u>	<u>7,787,638</u>	<u>6,222,587</u>	<u>7,183,826</u>
All Other Governmental Funds				
Nonspendable	165,190	273,410	326,191	331,445
Restricted	1,935,765	1,784,819	1,435,364	1,689,335
Committed	486,670	1,520,206	1,935,024	2,937,584
Unassigned	(2,240,935)	(2,175,920)	0	0
<i>Total All Other Governmental Funds</i>	<u>346,690</u>	<u>1,402,515</u>	<u>3,696,579</u>	<u>4,958,364</u>
<i>Total Governmental Funds</i>	<u><u>\$7,411,689</u></u>	<u><u>\$9,190,153</u></u>	<u><u>\$9,919,166</u></u>	<u><u>\$12,142,190</u></u>



Note: Gasb 54 was implemented during year 2011. Asset classifications for the years 2008 - 2010 were not audited.

2013	2012	2011	2010	2009	2008
\$231,762	\$171,906	\$123,363	\$122,612	\$138,642	\$137,211
336,772	415,065	266,188	246,735	271,315	229,568
7,392,204	5,573,277	4,684,103	3,424,467	4,911,804	4,051,436
7,960,738	6,160,248	5,073,654	3,793,814	5,321,761	4,418,215
191,522	249,040	208,718	263,459	277,412	195,881
1,914,948	1,744,505	1,930,548	2,519,190	2,446,356	2,418,999
5,425,408	937,834	1,230,419	1,461,609	1,009,860	1,194,834
7,531,878	2,931,379	3,369,685	4,244,258	3,733,628	3,809,714
\$15,492,616	\$9,091,627	\$8,443,339	\$8,038,072	\$9,055,389	\$8,227,929

Note: Gasb 54 was implemented during year 2011. Asset classifications for the years 2008 - 2010 were not audited.

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

	2017	2016	2015	2014
Revenues		<i>Restated</i>		
Property Taxes	\$2,246,905	\$2,167,136	\$2,128,945	\$2,097,879
Income Taxes	19,255,355	20,586,071	18,710,308	18,412,558
Other Local Taxes	636,071	649,151	656,038	635,656
Intergovernmental	1,891,480	1,427,483	1,534,724	1,421,965
Special Assessments	189,301	155,858	151,447	173,538
Interest	78,382	60,917	51,625	80,535
Fines, Licenses and Permits	1,010,744	871,055	1,077,772	967,832
Charges for Services	2,009,978	2,174,446	2,042,336	1,963,858
Other	931,879	452,500	725,367	671,816
Total Revenues	28,250,095	28,544,617	27,078,562	26,425,637
Expenditures				
Current:				
Security of Persons and Property	9,423,855	9,065,650	9,406,505	9,248,436
Public Health and Welfare	268,837	265,118	298,647	310,506
Culture and Recreation	3,291,227	2,902,906	2,883,957	2,826,499
Community Development	836,562	794,295	774,287	684,122
Economic Development	347,065	346,598	331,473	323,845
Streets and Highways	2,022,054	1,870,612	2,063,160	1,794,482
Sanitation	968,468	972,643	974,028	1,135,741
General Government	7,777,272	7,653,896	7,765,338	7,391,588
Capital Outlay	3,365,276	3,659,361	3,030,327	4,122,536
Debt Service:				
Principal Retirement	1,442,195	1,500,583	1,632,609	1,573,272
Interest and Fiscal Charges	288,484	287,238	335,018	385,190
Bond Issuance Costs				
Total Expenditures	30,031,295	29,318,900	29,495,349	29,796,217
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(1,781,200)</i>	<i>(774,283)</i>	<i>(2,416,787)</i>	<i>(3,370,580)</i>
Other Financing Sources (Uses)				
General Obligation Bonds Issued				
Refunding Bonds Issued				
Premium on Debt Issuance		43,195		
Payment to Refunded Bond Escrow Agent				
Sale of Capital Assets	2,736	2,075	14,046	20,054
Inception of Capital Lease			179,717	
Loan Proceeds				
Transfers In	1,100,000	1,100,000	950,000	850,000
Transfers Out	(1,100,000)	(1,100,000)	(950,000)	(850,000)
Total Other Financing Sources (Uses)	2,736	45,270	193,763	20,054
Net Change in Fund Balances	(\$1,778,464)	(\$729,013)	(\$2,223,024)	(\$3,350,526)
Debt Service as a percentage of noncapital expenditures	7.28%	7.76%	9.86%	14.43%

2013	2012	2011	2010	2009	2008
\$2,140,815	\$2,217,751	\$2,299,773	\$2,244,665	\$2,398,978	\$2,400,470
18,214,580	17,287,724	16,726,038	16,184,484	15,810,195	16,176,983
629,209	588,245	524,929	514,964	494,692	577,467
1,949,745	1,799,116	2,544,924	2,878,977	4,452,591	2,652,042
186,528	189,768	215,663	218,592	155,908	213,368
(12,318)	69,863	74,330	62,294	158,609	339,326
1,647,011	1,255,426	1,076,206	899,685	970,642	999,295
1,979,092	1,938,131	1,785,024	1,762,696	1,677,224	1,669,275
814,859	508,892	337,743	368,072	407,770	480,379
27,549,521	25,854,916	25,584,630	25,134,429	26,526,609	25,508,605
8,543,082	8,538,832	8,395,875	8,776,924	8,049,713	7,928,650
311,680	307,505	330,767	362,515	338,927	280,413
2,729,357	2,742,285	2,771,542	2,844,270	2,800,812	2,708,975
592,322	546,761	532,084	544,812	597,099	613,927
395,327	323,904	304,620	321,510	280,958	150,505
1,607,261	1,671,530	1,691,980	1,758,271	1,563,244	1,729,497
1,080,775	1,075,455	1,091,845	933,094	948,225	939,330
6,829,343	6,692,911	6,620,502	6,771,287	6,765,399	6,371,715
3,404,849	1,324,813	1,494,121	2,131,384	2,144,886	2,703,366
1,302,122	1,647,732	1,988,289	1,973,229	1,925,422	2,276,598
367,352	335,900	408,146	477,982	531,253	460,452
118,745					194,549
27,282,215	25,207,628	25,629,771	26,854,935	25,945,938	26,357,977
267,306	647,288	(45,141)	(1,112,824)	580,671	(849,372)
5,860,000					12,180,000
263,033					187,315
					(12,171,866)
10,650	1,000	303,539	1,807	800	10,000
			143,700	195,989	137,276
		146,869	607,682		
805,528	925,000	850,000	2,118,585	850,000	850,000
(805,528)	(925,000)	(850,000)	(2,118,585)	(850,000)	(850,000)
6,133,683	1,000	450,408	753,189	196,789	342,725
\$6,400,989	\$648,288	\$405,267	(\$967,317)	\$777,460	(\$506,647)
6.91%	7.94%	9.39%	9.31%	12.55%	10.40%

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
2017	\$2,246,905	\$19,255,355	\$636,071	\$22,138,331
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

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
2017	2.00%	\$19,021,980	\$15,964,093	83.9%	\$1,118,613	5.9%	\$1,939,274	10.2%
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%

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:

2017

Rank	
1	Southwest General Hospital
2	United Parcel Service
3	Quadax Inc.
4	Amerimark Direct LLC.
5	Zin Technologies
6	University Hospitals Health System
7	Berea City School District
8	City of Middleburg Heights
9	Brewer Garrett Co.
10	SW General Med Group

2008

2017 Rank	Rank	Taxpayer
1	1	Southwest General Hospital
2	2	United Parcel Service
4	3	Amerimark Direct LLC
7	4	Berea City School District
12	5	Codonics, Inc.
8	6	City Of Middleburg Heights
10	7	Polaris Joint Vocational School
11	8	Sunnyside Automotive
15	9	Thyssenkrupp Materials Na. Inc.
5	10	Zin Technologies 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)	
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
2017/2018	3.35	0.50	0.30	0.30	1.00	5.45	85.29	23.93	114.67

(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	Estimated Actual Value	
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
2017/2018	490,560,840	1,401,602,400	-	-	20,351,440	23,126,636	510,912,280	1,424,729,036						35.9%	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
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
2016/2017	2,490,448	2,392,356	96.1	2,472,132	99.3	132,091

(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

	2017	2016	2015
General Obligation Bonds	\$6,128,300	\$7,409,378	\$8,735,456
Percent of estimated actual property value	0.43%	0.53%	0.60%
Per Capita	\$384.32	\$464.65	\$547.81
Special Assessment Bonds	208,178	324,288	454,486
Bond Anticipation Notes			
OPWC Loans	694,777	735,647	776,517
Capital Leases	72,586	107,801	142,316
Total Gross Indebtedness	<u>7,103,841</u>	<u>8,577,114</u>	<u>10,108,775</u>
Percentage of Personal Income	1.47%	1.78%	2.10%
Per Capita	\$445.49	\$537.88	\$633.94
Less:			
Special Assessment Bonds	(208,178)	(324,288)	(454,486)
Community & Service Center Refunding Bonds	(930,000)	(1,890,000)	(2,900,000)
Community Center Bonds			
Service Center Bonds			
OPWC Loans	(694,777)	(735,647)	(776,517)
Capital Leases	(72,586)	(107,801)	(142,316)
Bond Retirement Fund Balance	<u>(681,274)</u>	<u>(728,872)</u>	<u>(715,630)</u>
Total Net Debt Applicable to Debt Limit	<u>4,517,026</u>	<u>4,790,506</u>	<u>5,119,826</u>
Overall Legal Debt Limit			
10 1/2% of Assessed Valuation	<u>53,645,789</u>	<u>52,599,010</u>	<u>54,340,017</u>
Legal Debt Margin Within 10 1/2% Limitations	<u>\$49,128,763</u>	<u>\$47,808,504</u>	<u>\$49,220,191</u>
Legal Debt Margin as a Percentage of the Debt Limit	91.58%	90.89%	90.58%
Unvoted Debt Limitation			
5 1/2% of Assessed Valuation	\$28,100,175	\$27,551,862	\$28,463,818
Net Unvoted Indebtedness Authorized by Council	7,103,841	8,577,114	10,108,775
Less:			
Special Assessment Bonds	(208,178)	(324,288)	(454,486)
Community & Service Center Refunding Bonds	(930,000)	(1,890,000)	(2,900,000)
Community Center Bonds			
Service Center Bonds			
OPWC Loans	(694,778)	(735,647)	(776,517)
Capital Leases	(72,586)	(107,801)	(142,316)
General Obligation Bond Retirement Fund Balance	<u>(681,274)</u>	<u>(728,872)</u>	<u>(715,630)</u>
Net Debt Within 5 1/2% Limitations	<u>4,517,025</u>	<u>4,790,506</u>	<u>5,119,826</u>
Unvoted Legal Debt Margin Within 5 1/2% Limitations	<u>\$23,583,150</u>	<u>\$22,761,356</u>	<u>\$23,343,992</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	83.93%	82.61%	82.01%

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

2014	2013	2012	2011	2010	2009	2008
\$10,201,534	\$11,652,612	\$6,565,000	\$7,985,153	\$9,730,327	\$11,456,736	\$13,154,922
0.70%	0.82%	0.46%	0.53%	0.65%	0.76%	0.73%
\$639.76	\$730.75	\$411.70	\$500.76	\$610.20	\$737.15	\$846.41
573,824	697,350	815,110	947,096	1,098,379	1,227,784	1,364,806
817,387	800,567	754,551	754,551	607,682	500,000	
	29,746	99,107	194,701	286,533	260,247	154,473
11,592,745	13,180,275	8,233,768	9,881,501	12,057,921	13,444,767	14,674,201
2.41%	2.74%	1.71%	2.05%	2.50%	3.43%	3.75%
\$727.00	\$826.56	\$516.35	\$619.69	\$756.17	\$865.06	\$944.16
(573,824)	(697,350)	(815,110)	(947,096)	(1,098,379)	(1,227,784)	(1,364,806)
(4,055,000)	(5,195,000)	(6,285,000)	(7,685,000)	(9,205,000)	(10,565,000)	(11,915,000)
(817,387)	(800,567)	(754,551)	(754,551)	(607,682)		
	(29,746)	(99,107)	(194,701)	(286,533)	(260,247)	(154,473)
(746,425)	(732,000)	(615,483)	(907,696)	(1,586,109)	(739,402)	(825,810)
5,400,109	5,725,612	(335,483)	300,153	(725,782)	652,334	414,112
53,291,118	51,692,230	51,429,385	54,555,939	54,521,762	54,624,028	57,172,313
\$47,891,009	\$45,966,618	\$51,764,868	\$54,255,786	\$55,247,544	\$53,971,694	\$56,758,201
89.87%	88.92%	100.65%	99.45%	101.33%	98.81%	99.28%
\$27,914,395	\$27,076,882	\$26,939,202	\$28,576,920	\$28,559,018	\$28,612,586	\$29,947,402
11,592,745	13,180,275	8,233,768	9,881,501	12,057,921	13,444,767	14,674,201
(573,824)	(697,350)	(815,110)	(947,096)	(1,098,379)	(1,227,784)	(1,364,806)
(4,055,000)	(5,195,000)	(6,285,000)	(7,685,000)	(9,205,000)	(10,565,000)	(11,915,000)
(817,387)	(800,567)	(754,551)	(754,551)	(607,682)		
	(29,746)	(99,107)	(194,701)	(286,533)	(260,247)	(154,473)
(746,425)	(732,000)	(615,483)	(194,701)	(1,586,109)	(739,402)	(825,810)
5,400,109	5,725,612	(335,483)	105,452	(725,782)	652,334	414,112
\$22,514,286	\$21,351,270	\$27,274,685	\$28,471,468	\$29,284,800	\$27,960,252	\$29,533,290
80.65%	78.85%	101.25%	99.63%	102.54%	97.72%	98.62%

City of Middleburg Heights, Ohio
Computation of Direct and Overlapping Debt
December 31, 2017

Jurisdiction	Debt Outstanding	Percentage Applicable To City of Middleburg Heights ©	Amount Applicable To City of Middleburg Heights
Direct:			
General Obligation Bonds	\$ 6,128,300 (a)	100.00%	\$ 6,128,300
Special Assessment Bonds	208,178 (a)	100.00%	208,178
Capital Leases	72,586 (a)	100.00%	72,586
Loans Payable	694,777 (a)	100.00%	694,777
Total Direct Debt	\$ 7,103,841		\$ 7,103,841
Overlapping:			
Berea School District	\$112,195,000 (b)	38.68%	\$43,393,945
Cuyahoga County	207,485,000 (b)	1.83%	3,802,483
Greater Cleveland Regional Transit	1,995,000 (b)	1.83%	36,561
Total Overlapping Debt	\$ 321,675,000		\$ 47,232,989
Total Direct and Overlapping	\$ 328,778,841		\$ 54,336,830

(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)	
2017	15,946	b	\$481,792,444	\$30,214	b	\$66,337	b	5.7%
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%

(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

2017		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Southwest General Hospital	2,603	12.59%
United Parcel Service, Inc.	2,111	10.21%
Quadax, Inc.	690	3.34%
Amerimark Direct, LLC	576	2.79%
City of Middleburg Heights	443	2.14%
Polaris Career Center	369	1.78%
Sunnyside Automotive, Inc.	300	1.45%
Berea City School District	241	1.17%
University Hospitals Health System	231	1.12%
Zin Technologies, Inc.	198	0.96%
Total	7,762	37.54%
Total City Employment	20,409	
2008		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of</u>
Southwest General Hospital	2,644	14.55%
United Parcel Service	2,109	11.61%
Thyssenkrupp Materials NA, Inc.	675	3.72%
Sears Roebuck & Company	490	2.70%
City of Middleburg Heights	435	2.39%
Polaris Joint Vocational	404	2.22%
Quadax, Inc.	315	1.73%
Berea City School District	276	1.52%
Giant Eagle	257	1.41%
UPS Supply Chain Solutions Inc.	253	1.39%
Total	7,858	43.25%
Total City Employment	18,168	

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>2017</u>	<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>
General Government:										
Council	2	2	2	2	2	2	2	2	2	2
Finance	4	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	3	4	4	4	4
Public Service	29	33	33	34	34	34	34	34	34	33
Community Development:										
Planning & Zoning	1	1	1	1	1	1	1	1	1	1
Building	6	5	5	5	4	4	4	4	4	5
Economic Development:										
	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Police	36	37	38	38	38	38	38	41	38	38
Fire	27	26	27	27	27	27	27	27	27	27
Culture and Recreation:										
Programs	2	2	2	2	2	2	2	2	2	2
Recreation Center	12	9	9	9	9	9	9	9	11	11
Streets and Highways:										
Street Department	9	10	10	10	10	10	10	10	10	10
Totals:	<u>136</u>	<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>

Source: City of Middleburg Heights, Finance Department

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

Operating Indicators by Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Fire										
Emergency Responses	3,102	3,037	3,013	2,853	2,821	2,758	2,770	2,553	2,498	2,647
Ambulance runs	2,449	2,550	2,555	2,206	2,155	2,084	2,036	1,904	1,823	1,848
Fire Runs	653	487	458	647	666	674	734	649	675	799
Fire Safety Inspections/Re-Inspections	255	292	275	280	317	266	170	338	453	370
Fire Protection Systems Inspected	393	393	29	50	61	51	48	111	226	211
Building/Fire Protection Plan Received	217	204	198	187	156	147	139	138	138	177
Number of Community Program Hours	231	249	228	285.75	170	237	200	382	440	261
Hydrants Tested	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Public Service										
Snowfall in inches ¹	44.8	41.7	52	83.73	58	30.8	69.5	59.8	66.7	85.3
Tons of salt used	3500	3300	4,600	7,300	5,800	3,200	5,796	7,326	5,000	6,000
Asphalt used in road maintenance (tons)	755.75	543.5	548	266	267.5	155.5	351.5	317.5	447	149.5
Concrete used in road maintenance (yards)	329	295.5	266.5	281.5	326	345.5	286.75	458.5	210	314.5
Number of Trees removed	184	197	180	135	109	160	122	84	53	115
Number of Trees planted	105	133	78	124	120	201	134	198	155	119
Senior citizen driveway plowing participants	1,120	1,131	1,138	1,146	1,104	1,119	1,155	1,127	1,112	1,119
Building										
Number of Permits issued by type:										
Building Permits	167	189	153	147	223	211	196	166	148	186
Electrical Permits	189	184	146	147	184	185	225	156	142	177
Plumbing Permits	160	138	130	102	126	105	121	92	78	96
HVAC Permits	147	158	150	134	152	133	131	125	102	127
Miscellaneous Permits	689	610	631	559	693	710	734	616	631	633
Inspections performed	1,783	1,744	1,437	1,700	2,265	2,180	1,936	1,671	1,577	1,000
Estimated value of construction	\$44,414,934	\$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
Number of Plans examined	123	74	87	68	120	106	134	98	54	124
Court										
Number of court cases	3,084	3,393	4063	5,228	4,773	5,418	5,599	5,234	5,676	5,990
Number of violations	3,896	4,104	4936	6,242	5,741	6,590	6,842	6,224	6,844	7,316
Number of Transferred Cases	170	244	245	231	264	273	283	259	303	294
Number of Waivers taken at Violations Bureau (Est)	622	725	858	1,140	1,012	1,474	1,539	1,722	2,072	2,274
Number of Court Appearances	1,079	1,251	963	1,177	1,161	1,228	1,471	1,330	1,438	1,268
Number of Waivers received by Mail	334	517	841	1,182	1,140	1,488	1,506	1,882	2,072	2,274
Number of Waivers received online	1,141	1,199	1,353	1,565	1,342	1,259	1,083	282	n/a	n/a

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

Operating Indicators by Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Council										
Number of Ordinances & resolutions	97	68	87	80	80	100	105	91	100	111
Finance										
Number of checks processed (excluding payroll)	3,257	3,106	3,552	3,437	3,501	3,461	3,624	3,486	3,578	3,644
Number of Purchase orders issued	2,886	4,308	3,668	3,103	3,628	3,128	3,230	3,122	3,251	3,197
Number of W-2 forms issued	456	447	439	445	430	440	429	434	426	435
City W-2 Wages (in Millions) 2	\$12.73	\$12.44	\$12.96	\$12.18	\$11.82	\$11.58	\$11.72	\$11.80	\$11.51	\$11.10
Mayor's Office										
Newsletters mailed (Winter and Summer issues) 3	17,364	8,682	8,675	8,413	8,413	8,413	8,413	8,386	8,384	8,494
Recreation										
Number of Memberships	7,773	7,956	8,205	8,223	8,347	7,894	7,788	7,834	7,681	7,944
Learn to Swim enrollment	1,112	1,182	1,167	1,200	1,281	1,301	1,362	1,356	1,358	1,419
Enrollment in athletics programs	1,730	1,775	1,989	2,224	2,302	1,718	1,761	1,803	1,928	1,910
Number of Rental Events	1,630	1,507	1,550	1,826	3,089	3,151	2,967	2,172	1,783	1,800
Enrollment in classes, programs, and special events	17,017	17,241	18,744	18,517	17,215	19,805	14,603	13,352	10,674	10,542
Law										
Number of new litigations filed (traffic & criminal cases)	542	550	567	523	560	604	552	525	628	615
Number of Municipal Court cases heard and disposed	642	608	582	589	603	635	589	586	682	661
Planning & Zoning										
Number of Planning commission agenda items	68	65	54	58	77	82	82	68	52	79
Civil Service										
Number of Exams given	32	41	58	56	42	41	57	96	97	57

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.

3 - Newsletters were mailed bi-annually to residents in 2018, instead of 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>2017</u>	<u>2016</u>	<u>2015</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	22	25	25
Square Footage of Building	13,400	13,400	13,400
Fire:			
Number of Stations	1	1	1
Number of Vehicles	12	12	12
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	46	47	47
Service Center Square Footage	62,445	62,445	62,445
Streets (miles)	65	65	65

Source: City of Middleburg Heights, Finance Department

2014	2013	2012	2011	2010	2009	2008
5 18,746	5 18,746	5 18,746	5 18,746	5 18,746	5 18,746	5 18,746
1 25 13,400	1 25 13,400	1 23 13,400	1 23 13,400	1 25 13,400	1 23 13,400	1 23 13,400
1 11 19,730	1 10 19,730	1 10 19,730	1 10 19,730	1 10 19,730	1 10 19,730	1 10 19,730
3 1 83,768	3 1 83,768	2 2 83,768	2 2 83,768	2 1 83,768	2 1 83,768	2 1 83,768
47 62,445 65	45 62,445 65	44 62,445 65	42 62,445 65	45 62,445 65	43 62,445 65	45 62,445 65

Source: City of Middleburg Heights, Finance Department

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City of Middleburg Heights
Cuyahoga County, Ohio

*Report Issued Pursuant to Government Auditing
Standards*

For the Year Ended
December 31, 2017

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

June 13, 2018

To City Council and Management
City of Middleburg Heights
Cuyahoga County, Ohio
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 the City of Middleburg Heights, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 13, 2018, wherein we noted the City restated the net position to properly account for not recording the elimination of the unclaimed monies within the General fund and the Unclaimed Monies fund.

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 is 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Medina, Ohio



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
AUGUST 30, 2018**