

# Comprehensive Annual Financial Report

FOR THE YEAR ENDED  
DECEMBER 31, 2018

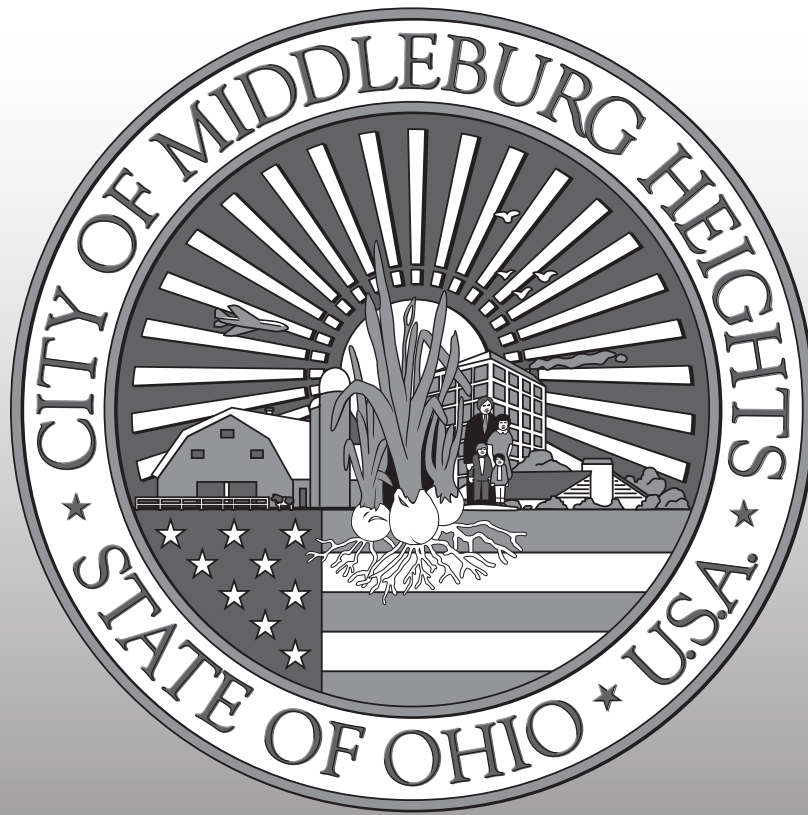


City of  
Middleburg  
Heights  
Ohio

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# Comprehensive Annual Financial Report

FOR THE YEAR ENDED DECEMBER 31, 2018



Issued By The Department of Finance

Jason Stewart, CPA  
Director

Nicholas Vitalone, CPA  
Assistant Director

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# INTRODUCTORY



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Finance Department  
**CITY OF MIDDLEBURG HEIGHTS**

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440/234-8989 • Fax 440/234-4934 • E-mail: [finance@middleburgheights.com](mailto:finance@middleburgheights.com)



Matthew Castelli  
Mayor

Jason Stewart, CPA  
Director of Finance

June 22, 2019

Honorable Mayor Matthew Castelli,  
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, 2018.

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, 2018. 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. See Note 18 for a description of 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 over 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. 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.

Last year, the City facilitated over a dozen development projects which reflected over \$100 million of investment in the City. This year, the City is working even harder to successfully encourage and facilitate a robust amount of development activity in the City. This continued business investment demonstrates that businesses are confident that Middleburg Heights is a desired location to grow, expand and thrive:

- The Fat Head's Brewery and Restaurant expanded into its new location last year, allowing Fat Head's to become the second largest craft beer brewer in Northeast Ohio. The production brewery and full-service restaurant are unique to Middleburg Heights and offer a dining and tourist experience like no other in the region. There are now over 180 employees working at Fat Head's in Middleburg Heights; in addition two other businesses now occupy the remainder of the new Fat Head's building bringing an additional 90 new jobs to Middleburg Heights.
- The success of the developer to completely fill the 125,000 square-foot Fat Head's building has prompted that developer to submit plans to the City for the construction of a new 300,000 square-foot facility just north of the new Fat Head's building along Interstate 71. This project will reflect approximately \$30

million in investment, and is expected to bring at least 200 new jobs and an annual payroll of at least \$7 million to Middleburg Heights.

- The City is currently reviewing plans for the expansion of the United Parcel Service small package hub. In 2017, UPS 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 sure to solidify UPS's status as a major employer in the City of Middleburg Heights.
- Construction is nearing completion on the new 112-room Residence Inn by Marriott hotel and retail building on Bagley Road near Southwest General Health Center. The new retail building along Bagley Road in front of the hotel will accommodate at least two restaurants and additional retail uses which will complement the hotel. This project reflects a \$16 million investment in Middleburg Heights, and will bring new jobs and revenue to the City.
- The City is currently reviewing plans for the comprehensive redevelopment of the former Gene Norris dealership property on Bagley Road. The proposed redevelopment is near Southwest General Health Center and is adjacent to a number of retail businesses and shopping plaza. The proposal is for the construction of two 3,500 square foot buildings along Bagley Road and an additional 32,000 square foot building at the rear of the property. Three new retail uses would be developed at the property including a new restaurant. In total, the development project will reflect an \$18 million investment and bring at least 70 new jobs to the City.
- The City recently met with the leadership of Emmco Realty Group which owns the property on Bagley Road which was the former site of Kmart and the current location of Fin, Feather, and Fur Outfitters. The latter recently renewed the lease on its current space and had indicated that it intends to expand into a portion of the Kmart space. Emmco is currently entertaining proposals for the lease of the remaining Kmart space. The City is working closely with the property owner to facilitate the redevelopment of the property as quickly as possible.
- The City has been aggressively encouraging the redevelopment of the former Sears property at Southland Shopping Center. The City has met with leadership of Seritage which owns the Sears property as well as the commercial real estate brokers representing the property. The City's administration has conveyed to them that the redevelopment of the former Sears property is a priority for the City, and that the City wants to be a partner in the redevelopment of the site to ensure the continued viability of the Southland Shopping Center.

**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.

The City has adopted a comprehensive set of financial policies including policies related to budgeting, purchasing, capital assets, cash management, investments, debt, internal controls, planning, and reporting. The City has a formal minimum fund balance policy; the City's goal is to strive to maintain a minimum 15-20% fund

balance reserve amongst all operating 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, 2017. 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-three consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

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

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

Sincerely,

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

Jason Stewart, CPA  
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Middleburg Heights  
Ohio**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2017**

*Christopher P. Morill*

Executive Director/CEO



**City of Middleburg Heights, Ohio**  
*Listing of Principal City Officials*  
*As of December 31, 2018*

**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..... Santo Incorvaia  
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

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**City of Middleburg Heights, Ohio**

*Listing of Principal City Officials*

*As of December 31, 2018*

**SPECIAL BOARDS AND COMMISSIONS**

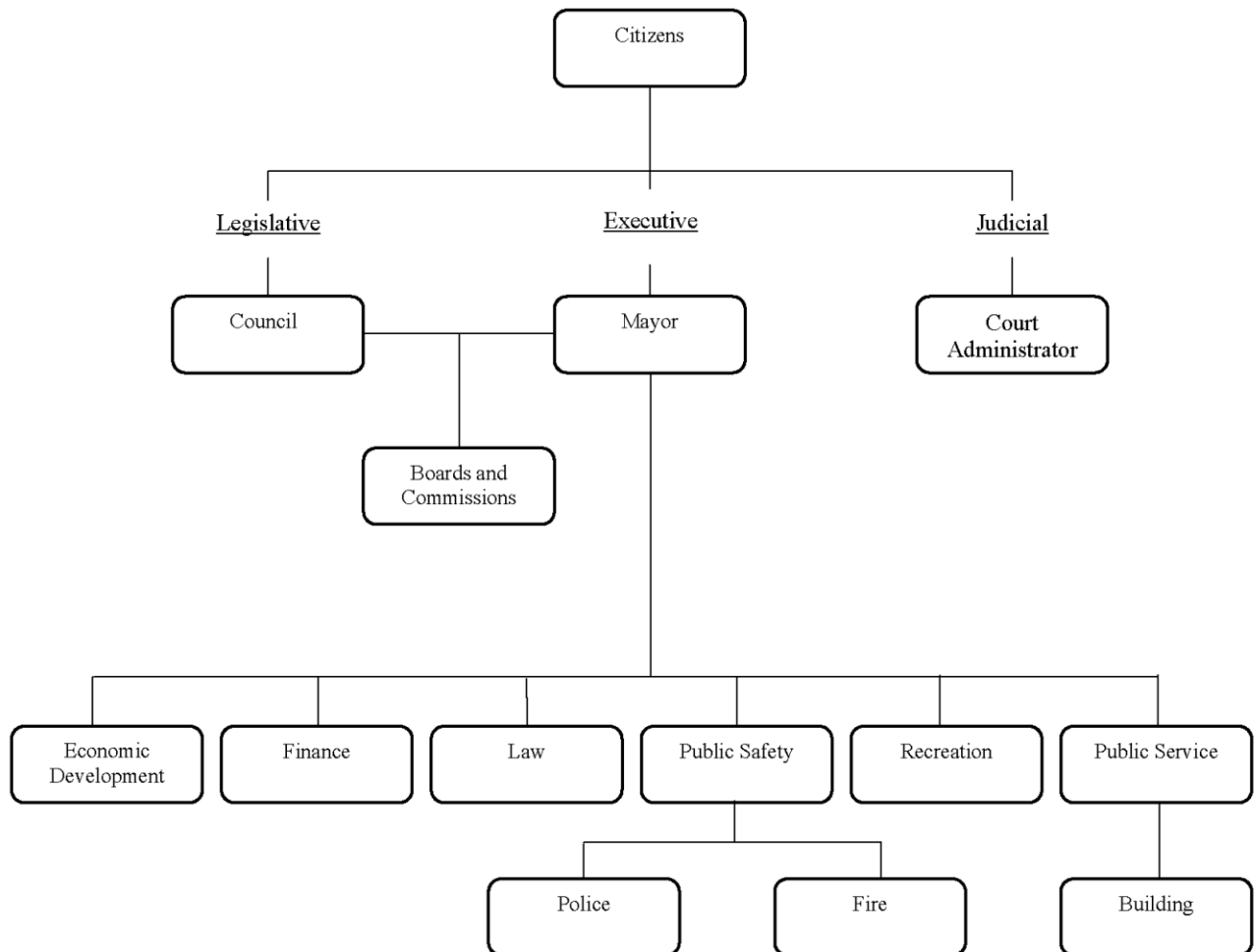
Planning Commission ..... Anthony Crea  
Planning Commission ..... Corey Shimell  
Planning Commission ..... Carl Guarnieri  
Planning Commission ..... Eve Sachs  
Planning Commission ..... Con Sullivan  
Planning Commission ..... Eric Smearman  
Planning Commission ..... Dan Sage

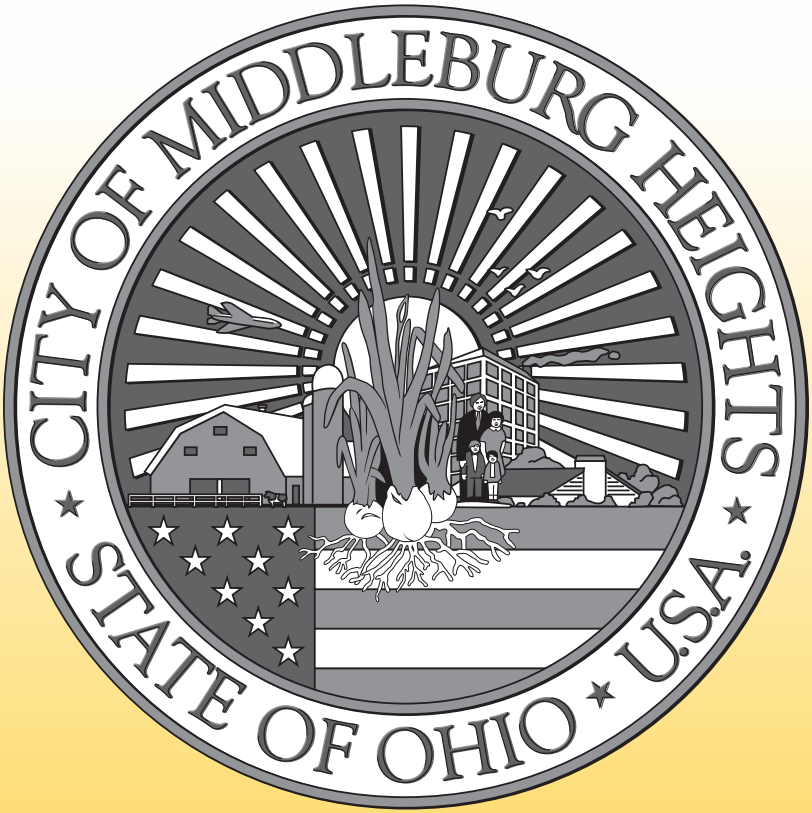
Board of Zoning and Building Appeals ..... Steve Holecko  
Board of Zoning and Building Appeals ..... Christina Elffers  
Board of Zoning and Building Appeals ..... Carol Herman  
Board of Zoning and Building Appeals ..... Mark Thomay  
Board of Zoning and Building Appeals ..... Rick Ridella

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, 2018*





# FINANCIAL

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June 22, 2019

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, 2018, 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, 2018, 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 3, the City restated the prior year net position balance to account for implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* and to restate long-term obligations to the proper outstanding amount. 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, Schedule of City Contributions – Pension, Schedule of the City's Proportionate Share of the Net OPEB Liability, and the Schedule of the City's Contributions – OPEB as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other 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 22, 2019 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 solely 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, 2018*  
*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, 2018. 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 2018 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 \$34,507,300 (*net position*).
- Total Net Position increased by \$2,035,983 which represents a 6.3 percent increase from 2017 restated net position. Unrestricted net position increased by \$424,485 or 1.3 percent in 2018.
- Total Assets and deferred outflows of the City increased \$3,428,012, which represents a 3.7 percent decrease from 2017 restated balances.
- Total Capital Assets increased by \$377,100 or .5 percent from 2017.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,802,331 an increase of \$2,390,642 or 32.3 percent from 2017. Equity in Pooled Cash and Investments in the governmental funds increased by \$2,152,366 or 50.2 percent from 2017, and was primarily the result of an increase of \$1.1million in income tax and a \$1.2 million decrease in capital outlay.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$6,676,456 or 32.1 percent of total general fund expenditures.
- Total long-term outstanding debt increased from \$7,100,841 to \$7,858,867. This was a 10.7 percent increase from the 2017 restated balance; primarily due to the repayment of bonds and the issuance of \$2.2 million in general obligation bonds for the American Veterans Parkway.

### **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.

**City of Middleburg Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*  
*Unaudited*

**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.

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 17 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 2018, the City of Middleburg Heights maintained 17 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund, Recreation Fund, Bond Retirement Fund, Capital Improvements Fund and the Streets/Infrastructure Improvement Fund; all of

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which are considered to be major funds. Data from the other 12 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.

***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 25 to 27 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 28 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 29 to 71 of this report.

***Required Supplementary Information*** As a result of implementing GASB 68, GASB 71 and GASB 75, these tables give additional information to support the data reported in the government-wide financial statements. The tables can be found on pages 72 to 78 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 79 to 111 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 2018?" 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-

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financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

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

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position (Assets 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 2018 compared to 2017.

***Table 1 Net Position***

	Governmental Activities	
		Restated
	2018	2017
<b>Assets</b>		
Current and Other Assets	\$18,859,879	\$13,948,621
Capital Assets, Net	70,614,161	70,237,061
<i>Total Assets</i>	<u>89,474,040</u>	<u>84,185,682</u>
 <b><i>Deferred Outflows of Resources</i></b>		
Deferral on Refunding	0	51,500
Pension	4,026,314	7,439,328
Other Post Employment Benefits	1,699,790	95,622
<i>Total Deferred Outflows of Resources</i>	<u>5,726,104</u>	<u>7,586,450</u>
 <b>Liabilities</b>		
Current Liabilities	1,364,344	1,481,371
Long-term Liabilities		
Due within One Year	2,321,845	3,176,668
Due in More Than One Year	49,682,347	51,523,609
<i>Total Liabilities</i>	<u>53,368,536</u>	<u>56,181,648</u>
 <b><i>Deferred Inflows of Resources</i></b>		
Property Tax	2,325,841	2,127,155
Pension	3,862,089	992,012
Other Post Employment Benefits	1,136,378	0
<i>Total Deferred Inflows of Resources</i>	<u>7,324,308</u>	<u>3,119,167</u>
 <b>Net Position</b>		

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Net Investment in Capital Assets	62,788,000	63,171,346
Restricted for:		
Capital Projects	269,821	298,631
Debt Service	2,604,760	970,747
Other Purposes	2,211,483	1,821,842
Unrestricted (Deficit)	<u>(33,366,764)</u>	<u>(33,791,249)</u>
<i>Total Net Position</i>	<u><u>\$34,507,300</u></u>	<u><u>\$32,471,317</u></u>

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 \$34,507,300 at the close of the most recent fiscal year.

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

Total assets and deferred outflows increased by \$3,428,012 from 2017, while the City's total liabilities and deferred inflows increased by \$1,392,029. As a result, the total net position of the City's governmental activities increased by \$2,035,983. The completion of the Bagley/Fry Roadway project significantly increased special assessment receivables as the City issued \$2,200,000 in bonds. In addition, all receivables had positive variances from 2017. Equity in Pooled Cash and Investments increased \$2.2 million and was primarily the result of a \$1.2 million increase in income tax collections. 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.

For both the governmental and business-type activities, the changes reflected in NPL, NOL and deferred outflows/inflows of resources relating to pension and OPEB are based on estimates at the plan level. For additional details on GASB 68 and 75, see aforementioned discussion.

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 2017.

***Governmental Activities***

Table 2 Changes in Net Position

	Governmental Activities	Governmental Activities Restated
	<u>2018</u>	<u>2017</u>
Revenues		
Program Revenues:		
Charges for Services	\$3,244,901	\$3,094,406
Operating Grants and Contributions	897,072	863,898
Capital Grants and Contributions	<u>2,151,304</u>	<u>3,591,507</u>

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Total Program Revenues	<u>6,293,277</u>	<u>7,549,811</u>
General Revenues:		
Property Taxes & Other Local Taxes	2,895,052	2,906,271
Income Taxes	20,484,806	19,266,358
Grants and Entitlements	521,082	433,622
Investment Income	150,016	78,382
Miscellaneous	<u>3,305,938</u>	<u>980,681</u>
Total General Revenues	<u>27,356,894</u>	<u>23,665,314</u>
Total Revenues	<u>33,650,171</u>	<u>31,215,125</u>
Program Expenses		
General Government	9,293,223	9,193,766
Security of Persons and Property:		
Police	6,273,941	5,721,292
Fire	5,132,916	4,664,396
Safety Director	40,999	65,336
Public Health Services	269,917	268,837
Culture and Recreation	4,249,189	4,280,980
Community Development	940,128	951,924
Economic Development	373,206	374,547
Streets and Highways	3,682,770	4,635,443
Sanitation	1,074,595	968,468
Interest and Fiscal Charges	<u>283,304</u>	<u>305,050</u>
Total Program Expenses	<u>31,614,188</u>	<u>31,430,039</u>
Increase (decrease) in Net Position	2,035,983	(214,914)
Restated Net Position Beginning of Year	<u>32,471,317</u>	<u>n/a</u>
Net Position End of Year	<u><u>\$34,507,300</u></u>	<u><u>\$32,471,317</u></u>

Governmental activities increased the City's net position by \$2,035,983. Discussion of the reasons for the increase in net position are as follows:

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

Income tax revenue for 2018 was \$20,484,806, which was an increase of 6.3% from the previous year. Of the \$33,650,171 in total revenues, income tax accounted for 60.9% of the total. Property and other local taxes were \$2,895,052, which was flat from 2017, and accounted for 8.6% of total revenues. Operating grants and contributions, capital grants and contributions, general revenues from grants and entitlements account for 10.6% of total revenues, and charges for services, investment income, and other



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revenue make up the remaining 19.9%. General revenues from grants and entitlements are also revenue generators. The City monitors its sources of revenues very closely for fluctuations.

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For fiscal year 2018, the City adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

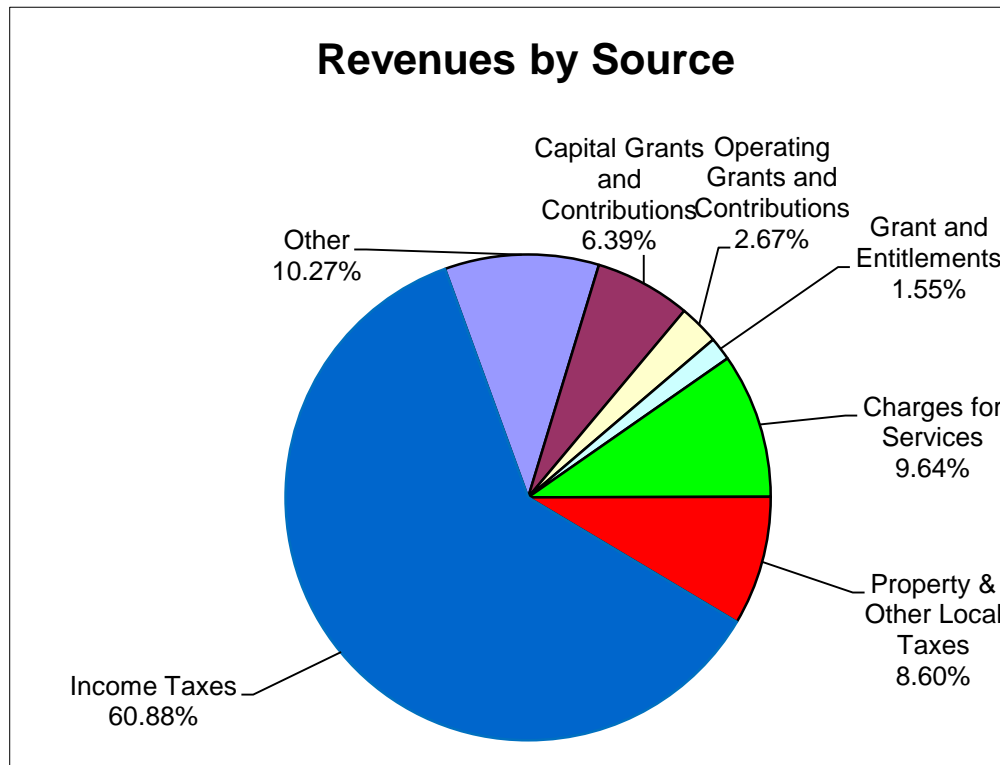
The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2017, from \$49,081,206 to \$32,471,317.



Total program expenses increased by \$184,149 or .59% as compared to 2017. .

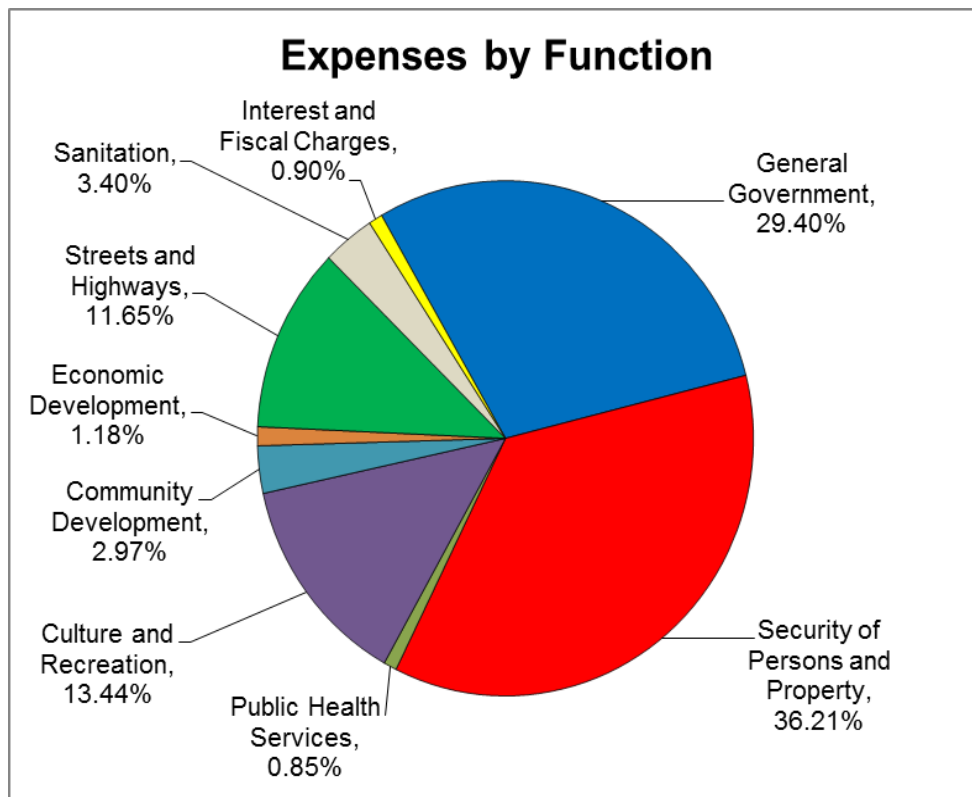
Total program expenses for 2018 were \$31,614,188. Security of Persons and Property, which included the police and fire departments as well as the City's Safety Director, accounted for program expenses of \$11,447,856, which represents 36.21% of total City expenses for the year 2018. Culture and Recreation expenses of \$4,249,189 accounted for 13.44 %. Culture and recreation expenses consist largely of costs to operate the City's Community Center and depreciation expense on the building. Street and highway expenses of \$3,682,770 accounted for 11.65 %.

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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.

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$95,622 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$1,336,616. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities
Total 2018 Expenses under GASB 75	\$ 31,614,188
OPEB Expense under GASB 75	(1,336,616)
2018 Contractually Required Contributions	27,476
Adjusted 2018 Expenses	30,305,048
Total 2017 Expenses under GASB 45	31,430,039
Increase/(Decrease) in Expenses not Related to OPEB	\$ (1,124,991)



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**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 19. These funds are accounted for by using the modified accrual basis of accounting.

As of December 31, 2018, the City's governmental funds reported combined ending fund balances of \$9,802,331, an increase of \$2,390,642 in comparison with the prior year. Of that amount, \$6,557,394 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 \$610,930.

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 \$7,373,569 of which \$6,676,456 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 \$20,792,341. Unassigned fund balance represents 32.1% (28.9% in 2017) of total General Fund expenditures and other financing uses, while total fund balance represents 35.5% (35.0% in 2017) of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$308,570. The increase can be primarily attributed to an increase of \$1.1 million in income tax revenue in the General Fund. General Fund expenditures increased by 3.2 percent over 2017 expenditures. However, revenue increases outpaced the expenditure increases resulting in the increase in fund balance.

The balance in the Recreation Fund increased \$42,398. 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 2017.

The Bond Retirement Fund decreased \$379,011. The allocation of income tax and other resources are covering the debt service requirements of the City. Debt service requirements are lower and therefore less income tax dollars were necessary to cover those payments.

The Capital Improvements Fund increased by \$51,467. This slight increase was the result of the income tax allocation to this fund keeping pace with the various capital projects underway.

The Street/Infrastructure Improvements Fund decreased by \$31,148. This slight 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.

***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 2018 the City amended its General Fund budget on various

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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 \$20.8 million and final budgeted revenues were \$21.2 million and actual revenues were \$22.1 million. There were no significant variances from the original revenue estimates that were made. Income Taxes came in \$456,509 over estimates. The City's ending unencumbered cash balance in the General Fund was \$1,897,166 above the final budgeted amount.

The difference between the General Fund's original budget for expenditures and other uses of \$22,097,933 and the final amended budget of \$23,397,337 was \$1,299,404 or 5.9%. The largest revisions were an increase of \$923,601 for advances of \$473,000 to the Capital Improvements fund for property acquisition, \$400,000 to the Street Infrastructure Improvement Fund for various infrastructure projects and \$50,601 to the FEMA Grant Fund firefighting safety equipment. Actual expenditures and other uses were \$22,354,681 or \$1,042,656, (4.5%) less than the final amended budget. The final budget for wages and fringe benefits was \$15,350,180 of which \$14,827,187 or 96.6% was spent leaving a positive variance of \$522,993. Most of this variance was attributable to the service, police and fire departments. Police officers and firefighters have a contractual right to redeem certain compensated absences for pay, and the city budgets for this as if all eligible employees will exercise their option to sell the maximum number of hours available to sell. If less than the maximum number of hours are sold, then a positive variance results. The final budget for expenditures other than wages and fringe benefits was \$6,023,556 of which \$5,503,893 or 91.4% was actually spent leaving a positive variance of \$519,663.

## **Capital Assets and Debt Administration**

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

	Governmental Activities	
	2018	2017
Land	\$7,256,224	\$7,087,636
Land Improvements	379,405	412,373
Buildings and Improvements	17,849,876	18,367,586
Machinery and Equipment	3,001,562	3,257,463
Furniture and Fixtures	71,828	33,057
Infrastructure		
Streets	20,230,935	20,912,473
Sidewalks	823,905	851,389
Traffic Signals	735,568	901,390
Water Mains	2,313,981	2,352,853
Sanitary Sewers	2,084,354	2,124,149
Storm Sewers	4,625,540	4,302,204
Construction in Progress	11,240,983	9,634,488
Total Net Capital Assets	<u>\$70,614,161</u>	<u>\$70,237,061</u>

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Total net capital assets of the City as of December 31, 2018 were \$70,614,161. Capital assets are \$377,100 greater than in 2017. 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, 2018, the City had \$11,062,021 in bonds, capital lease obligations, compensated absences and OPWC loans outstanding with \$2,321,845 due within one year.

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

	Governmental Activities	
	2018	Restated 2017
General Obligation Bonds	\$4,867,222	\$6,128,300
Special Assessment Bonds	2,301,080	205,178
Capital Lease Obligations	36,657	72,586
Compensated Absences	3,203,154	3,054,782
OPWC - Loan	653,908	694,777
Total	<u>\$11,062,021</u>	<u>\$10,155,623</u>

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, American Veterans Parkway, 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 \$58.6 million on December 31, 2018.

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

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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](mailto:jstewart@middleburgheights.com).



**City of Middleburg Heights, Ohio**

*Statement of Net Position*

*December 31, 2018*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$7,860,575
Accounts Receivable	403,672
Accrued Interest Receivable	8,322
Intergovernmental Receivable	581,558
Prepaid Items	198,460
Materials and Supplies Inventory	327,181
Income Tax Receivable	4,698,692
Property Taxes Receivable	2,460,614
Other Local Taxes Receivable	45,894
Special Assessments Receivable	2,274,911
Nondepreciable Capital Assets	18,497,207
Depreciable Capital Assets, Net	52,116,954
<i>Total Assets</i>	<i>89,474,040</i>
<b>Deferred Outflows of Resources</b>	
Pension	4,026,314
Other Post Employment Benefits	1,699,790
<i>Total Deferred Outflows of Resources</i>	<i>5,726,104</i>
<b>Liabilities</b>	
Accounts Payable	267,532
Accrued Wages	340,290
Retainage Payable	48,751
Intergovernmental Payable	94,574
Accrued Interest Payable	18,454
Claims Payable	383,535
Unearned Revenue	211,208
Long-Term Liabilities:	
Due Within One Year	2,321,845
Due In More Than One Year:	
Net Pension Liability	22,456,730
Net OPEB Liability	18,485,441
Other Amounts	8,740,176
<i>Total Liabilities</i>	<i>53,368,536</i>
<b>Deferred Inflows of Resources</b>	
Property Taxes	2,325,841
Pension	3,862,089
Other Post Employment Benefits	1,136,378
<i>Total Deferred Inflows of Resources</i>	<i>7,324,308</i>
<b>Net Position</b>	
Net Investment in Capital Assets	62,788,000
Restricted for:	
Capital Projects	269,821
Debt Service	2,604,760
Other Purposes	2,211,483
Unrestricted (Deficit)	(33,366,764)
<i>Total Net Position</i>	<i>\$34,507,300</i>

See accompanying notes to the basic financial statements

**City of Middleburg Heights, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Security of Persons and Property:					
Police	\$6,273,941	\$408,768	\$0	\$0	(\$5,865,173)
Fire	5,132,916	632,478			(4,500,438)
Safety Director	40,999				(40,999)
Public Health and Welfare	269,917	6,030			(263,887)
Culture and Recreation	4,249,189	1,424,416			(2,824,773)
Community Development	940,128	544,074			(396,054)
Economic Development	373,206	5,159			(368,047)
Streets and Highways	3,682,770	20,709	897,072	2,151,304	(613,685)
Sanitation	1,074,595				(1,074,595)
General Government	9,293,223	203,267			(9,089,956)
Interest and Fiscal Charges	283,304				(283,304)
<i>Total Governmental Activities</i>	<u>\$31,614,188</u>	<u>\$3,244,901</u>	<u>\$897,072</u>	<u>\$2,151,304</u>	<u>(25,320,911)</u>
<b>General Revenues</b>					
Property and Other Local Taxes Levied for:					
General Purposes					2,222,016
Debt Service					221,303
Police and Fire Pension					278,988
Public Health and Welfare					172,745
Income Tax Levied for:					
General Purposes					16,085,525
Debt Service					728,515
Recreation					2,088,749
Capital Outlay					1,582,017
Grants and Entitlements not Restricted to Specific Programs					521,082
Investment Earnings					150,016
Miscellaneous					3,305,938
<i>Total General Revenues</i>					<u>27,356,894</u>
Change in Net Position					2,035,983
<i>Restated Net Position Beginning of Year (See Note 3)</i>					<u>32,471,317</u>
<i>Net Position End of Year</i>					<u><u>\$34,507,300</u></u>

See accompanying notes to the basic financial statements

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**City of Middleburg Heights, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2018*

	<u>General</u>	<u>Recreation</u>	<u>Bond Retirement</u>	<u>Capital Improvements</u>	<u>Streets/ Infrastructure Improvements</u>
<b>Assets:</b>					
Equity in Pooled Cash and Investments	\$3,803,424	\$226,432	\$235,304	\$210,566	\$596,072
Materials and Supplies Inventory	82,105	29,971			
Accrued Interest Receivable	8,146		176		
Accounts Receivable	294,986				
Interfund Receivable	923,601				
Intergovernmental Receivable	200,436		2,678		
Prepaid Items	184,645	13,815			
Income Taxes Receivable	3,724,722	522,800	90,699	225,585	134,886
Property Taxes Receivable	1,912,555		51,002		
Other Local Taxes Receivable	45,894				
Special Assessments Receivable			2,273,101		1,810
<b>Total Assets</b>	<u>\$11,180,514</u>	<u>\$793,018</u>	<u>\$2,652,960</u>	<u>\$436,151</u>	<u>\$732,768</u>
<b>Liabilities:</b>					
Accounts Payable	\$176,114	\$28,966	\$0	\$22,662	\$14,196
Accrued Wages	277,570	46,831			
Interfund Payable				473,000	400,000
Intergovernmental Payable	92,717	1,857			
Retainage Payable					48,751
Unearned Revenue		211,208			
<i>Total Liabilities</i>	<u>546,401</u>	<u>288,862</u>	<u>0</u>	<u>495,662</u>	<u>462,947</u>
<b>Deferred Inflows of Resources:</b>					
Property Taxes	1,807,501		48,200		
Unavailable Revenue - Delinquent Property Taxes	105,054		2,802		
Unavailable Revenue - Income taxes	982,158	137,855	23,916	59,484	35,568
Unavailable Revenue - Other	365,831		2,275,779		1,810
<i>Total Deferred Inflows of Resources</i>	<u>3,260,544</u>	<u>137,855</u>	<u>2,350,697</u>	<u>59,484</u>	<u>37,378</u>
<b>Fund Balances:</b>					
Nonspendable	352,039	43,786			
Restricted		322,515	302,263		
Committed					232,443
Assigned	345,074				
Unassigned	6,676,456			(118,995)	
<i>Total Fund Balances</i>	<u>7,373,569</u>	<u>366,301</u>	<u>302,263</u>	<u>(118,995)</u>	<u>232,443</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$11,180,514</u>	<u>\$793,018</u>	<u>\$2,652,960</u>	<u>\$436,151</u>	<u>\$732,768</u>

See accompanying notes to the financial statements

Other Governmental Funds	Total Governmental Funds	<b>Total Governmental Fund Balances</b>	\$9,802,331
		<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
\$1,369,614	\$6,441,412	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	70,614,161
215,105	327,181		
	8,322	The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liability and related deferred inflows/ outflows are not reported in the governmental funds:	
108,686	403,672	Deferred Outflows - Pension/OPEB	\$5,726,104
	923,601	Deferred Inflows - Pension/OPEB	(4,998,467)
378,444	581,558	Net Pension Liability	(22,456,730)
	198,460	Net OPEB Liability	<u>(18,485,441)</u>
	4,698,692	Total	(40,214,534)
497,057	2,460,614		
	45,894	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
	2,274,911	Delinquent Property Taxes	134,773
		Income Taxes	1,238,981
\$2,568,906	\$18,364,317	Intergovernmental	414,770
		Special Assessments	2,274,911
		Charges for Services	<u>287,664</u>
		Total	4,351,099
\$24,684	\$266,622	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.	1,034,718
15,889	340,290		
50,601	923,601	Accrued interest payable on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(18,454)
	94,574		
	48,751	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
	211,208	General Obligation Bonds	(4,867,222)
91,174	1,885,046	Special Assessment Bonds	(2,301,080)
		Capital Leases	(36,657)
470,140	2,325,841	OPWC Loan	(653,908)
26,917	134,773	Compensated Absences	<u>(3,203,154)</u>
	1,238,981	Total	(11,062,021)
333,925	2,977,345		
830,982	6,676,940	<i>Net Position of Governmental Activities</i>	<u>\$34,507,300</u>
215,105	610,930		
1,104,939	1,729,717		
326,773	559,216		
	345,074		
(67)	6,557,394		
1,646,750	9,802,331		
\$2,568,906	\$18,364,317		

**City of Middleburg Heights, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2018*

	General	Recreation	Bond Retirement	Capital Improvements	Streets/ Infrastructure Improvements
<b>Revenues</b>					
Property Taxes	\$1,555,910	\$0	\$232,229	\$0	\$0
Income Taxes	16,038,429	2,080,757	753,894	990,752	587,642
Other Local Taxes	664,827				
Intergovernmental	419,149		24,127		544,809
Special Assessments			155,181		
Interest	147,483		2,031		
Fines, Licenses and Permits	1,097,979				
Charges for Services	423,446	1,424,416			19
Other	753,688	40,690		17,425	17,425
<i>Total Revenues</i>	<u>21,100,911</u>	<u>3,545,863</u>	<u>1,167,462</u>	<u>1,008,177</u>	<u>1,149,895</u>
<b>Expenditures</b>					
Current:					
Security of Persons and Property					
Police	5,253,584				
Fire	4,038,033				
Safety Director	36,437				
Public Health and Welfare	84,600				
Culture and Recreation		3,503,465			
Community Development	865,666				
Economic Development	357,388				
Streets and Highways					
Sanitation	1,074,595				
General Government	7,982,038		83,340		
Capital Outlay				930,894	1,140,174
Debt Service:					
Principal Retirement			1,362,077	35,929	40,869
Interest and Fiscal Charges			243,955	1,472	
<i>Total Expenditures</i>	<u>19,692,341</u>	<u>3,503,465</u>	<u>1,689,372</u>	<u>968,295</u>	<u>1,181,043</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,408,570</u>	<u>42,398</u>	<u>(521,910)</u>	<u>39,882</u>	<u>(31,148)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets				11,585	
Bond Proceeds			110,000		
Premium on Debt Issuance			28,756		
Transfers In			4,143		
Transfers Out	(1,100,000)				
<i>Total Other Financing Sources (Uses)</i>	<u>(1,100,000)</u>	<u>0</u>	<u>142,899</u>	<u>11,585</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>308,570</u>	<u>42,398</u>	<u>(379,011)</u>	<u>51,467</u>	<u>(31,148)</u>
<i>Fund Balances Beginning of Year</i>	<u>7,064,999</u>	<u>323,903</u>	<u>681,274</u>	<u>(170,462)</u>	<u>263,591</u>
<i>Fund Balances End of Year</i>	<u><u>\$7,373,569</u></u>	<u><u>\$366,301</u></u>	<u><u>\$302,263</u></u>	<u><u>(\$118,995)</u></u>	<u><u>\$232,443</u></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, 2018*

Other Governmental Funds	Total Governmental Funds		
		<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$2,390,642
		<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
		Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the net amount of current year capital asset activity.	
\$451,198	\$2,239,337	Capital Asset Additions	\$2,715,411
	20,451,474	Capital Asset Deletions	(438,025)
	664,827	Accum Depr on Disposals	438,025
950,377	1,938,462	Current Year Depreciation	<u>(2,338,311)</u>
	155,181	Total	377,100
502	150,016		
37,221	1,135,200		
188,977	2,036,858		
11,176	840,404		
1,639,451	29,611,759		
		Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
		Delinquent Property Taxes	2,682
		Income Tax	33,332
		Intergovernmental	12,707
148,155	5,401,739	Special Assessments	2,065,233
188,906	4,226,939	Charges for Services	<u>72,533</u>
	36,437	Total	2,186,487
185,317	269,917		
	3,503,465		
	865,666		
	357,388		
1,829,253	1,829,253	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.	
	1,074,595	Bond and Capital Lease Principal	1,398,006
7,246	8,072,624	OPWC Loan Principal	40,869
52,388	2,123,456	Proceeds from Bond Issue	(2,200,000)
		Premium on Debt Issuance	<u>(28,756)</u>
15,677	1,438,875	Total	(789,881)
	261,104		
2,426,942	29,461,458	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.	
(787,491)	150,301	Accrued Interest	(2,555)
		Amortization of Bond Premium	31,855
		Amortization of Loss on Refunding	<u>(51,500)</u>
		Total	(22,200)
2,090,000	2,200,000	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.	(148,372)
	11,585		
	28,756		
1,100,000	1,104,143		
(4,143)	(1,104,143)		
3,185,857	2,240,341		
2,398,366	2,390,642	Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
(751,616)	7,411,689	Pension	2,182,180
		OPEB	27,476
\$1,646,750	\$9,802,331		
		Except for amounts reported as deferred inflows/outflows, changes in the net pension liability/OPEB liability are reported as pension/OPEB expense in the statement of activities.	
		Pension	(\$3,058,382)
		OPEB	(1,364,092)
		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.	255,025
		<i>Change in Net Position of Governmental Activities</i>	<u>\$2,035,983</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, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$1,477,631	\$1,477,631	\$1,555,910	\$78,279
Income Taxes	15,490,000	15,490,000	15,946,509	456,509
Other Local Taxes	685,000	685,000	662,732	(22,268)
Intergovernmental	382,340	382,413	417,754	35,341
Interest	70,000	70,000	131,297	61,297
Fines, Licenses and Permits	1,063,125	1,063,125	1,096,799	33,674
Charges for Services	417,600	417,600	423,190	5,590
Other	687,600	547,600	753,688	206,088
<i>Total Revenues</i>	<u>20,273,296</u>	<u>20,133,369</u>	<u>20,987,879</u>	<u>854,510</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Police	5,504,431	5,510,231	5,291,721	218,510
Fire	4,125,981	4,175,525	4,096,562	78,963
Safety Director	75,228	75,228	37,371	37,857
Public Health and Welfare	91,900	91,900	91,500	400
Community Development	911,261	911,261	886,661	24,600
Economic Development	404,002	404,402	384,711	19,691
Sanitation	1,062,722	1,147,722	1,074,595	73,127
General Government	8,822,408	9,057,467	8,467,959	589,508
<i>Total Expenditures</i>	<u>20,997,933</u>	<u>21,373,736</u>	<u>20,331,080</u>	<u>1,042,656</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(724,637)</u>	<u>(1,240,367)</u>	<u>656,799</u>	<u>1,897,166</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	525,000	1,075,000	1,075,000	0
Advances Out	0	(923,601)	(923,601)	0
Transfers Out	(1,100,000)	(1,100,000)	(1,100,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(575,000)</u>	<u>(948,601)</u>	<u>(948,601)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(1,299,637)</u>	<u>(2,188,968)</u>	<u>(291,802)</u>	<u>1,897,166</u>
<i>Fund Balance Beginning of Year</i>	<u>2,401,496</u>	<u>2,401,496</u>	<u>2,401,496</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>1,182,098</u>	<u>1,182,098</u>	<u>1,182,098</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,283,957</u>	<u>\$1,394,626</u>	<u>\$3,291,792</u>	<u>\$1,897,166</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, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Income Taxes	\$2,180,000	\$2,180,000	\$2,063,938	(\$116,062)
Charges for Services	1,488,500	1,488,500	1,419,713	(68,787)
Other	2,200	2,200	40,690	38,490
<i>Total Revenues</i>	<u>3,670,700</u>	<u>3,670,700</u>	<u>3,524,341</u>	<u>(146,359)</u>
<b>Expenditures</b>				
Current:				
Culture and Recreation	<u>3,685,959</u>	<u>3,685,959</u>	<u>3,530,209</u>	<u>155,750</u>
<i>Total Expenditures</i>	<u>3,685,959</u>	<u>3,685,959</u>	<u>3,530,209</u>	<u>155,750</u>
<i>Net Change in Fund Balance</i>	(15,259)	(15,259)	(5,868)	9,391
<i>Fund Balance Beginning of Year</i>	150,000	150,000	150,000	0
Prior Year Encumbrances Appropriated	<u>55,868</u>	<u>55,868</u>	<u>55,868</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$190,609</u></u>	<u><u>\$190,609</u></u>	<u><u>\$200,000</u></u>	<u><u>\$9,391</u></u>

See accompanying notes to the basic financial statements

**City of Middleburg Heights, Ohio**

*Statement of Fund Net Position*

*Proprietary Fund*

*December 31, 2018*

	Governmental Activities Internal Service Fund - Health Insurance
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	\$1,419,163
<i>Total Assets</i>	1,419,163
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Accounts Payable	910
Claims Payable	383,535
<i>Total Liabilities</i>	384,445
<b>Net Position</b>	
Unrestricted	1,034,718
<i>Total Net Position</i>	\$1,034,718

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, 2018*

	Governmental Activities Internal Service Fund - Health Insurance
<b>Operating Revenues</b>	
Charges for Services	\$2,922,920
Other	227,344
<i>Total Operating Revenues</i>	<u>3,150,264</u>
<b>Operating Expenses</b>	
Contractual Services	522,233
Claims	2,373,006
<i>Total Operating Expenses</i>	<u>2,895,239</u>
<i>Change in Net Position</i>	255,025
<i>Net Position Beginning of Year</i>	<u>779,693</u>
<i>Net Position End of Year</i>	<u><u>\$1,034,718</u></u>

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, 2018*

	Governmental Activities Internal Service Fund - Health Insurance
<b><i>Increase (Decrease) In Cash and Investments</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services	\$2,922,920
Cash Received from Employees	227,344
Cash Payments to Suppliers for Services	(521,323)
Cash Payments for Claims	(2,534,735)
<i>Net Cash Flows From Operating Activities</i>	<u>94,206</u>
<i>Net Increase In Cash and Investments</i>	94,206
<i>Cash and Investments Beginning of Year</i>	<u>1,324,957</u>
<i>Cash and Investments End of Year</i>	<u><u>\$1,419,163</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
<i>Operating Income</i>	\$255,025
Adjustments:	
Increase in Accounts Payable	910
Decrease in Claims Payable	(161,729)
<i>Net Cash Provided By Operating Activities</i>	<u><u>\$94,206</u></u>

See accompanying notes to the basic financial statements

**City of Middleburg Heights, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2018*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$152,661
Cash in Segregated Accounts	<u>30,762</u>
<b>Total Assets</b>	<u><u>\$183,423</u></u>
 <b>Liabilities</b>	
Deposits Held and Due to Others	<u><u>\$183,423</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, 2018*

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**Note 1 – Description of the City**

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 18 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, 2018*

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***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, 2018*

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***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.

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.

***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



**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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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 pension and OPEB are reported in the government-wide statement of net position. The deferred outflows of resources related to pensions and OPEB are explained in Notes 9 and 10.

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, OPEB and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
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were levied to finance year 2019 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 and OPEB are reported in the government-wide statement of net position. (See Notes 9 and 10)

***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 2018, 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***

During 2018, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Government Accounting Standards Board (GASB) Statement No. 79. *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees or redemption rates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 2018 amounted to \$147,483 which includes \$995 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*  
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***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2018, 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 17 for interfund activity.

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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***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, 2018.

***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.

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*Notes to the Basic Financial Statements*  
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**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 \$5,086,064 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, 2018*

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***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 2018.

***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 and Other Post Employment Benefits (OPEB)***

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension/OPEB, and pension/OPEB expense, information about the

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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

**Note 3 – Changes in Accounting Principles and Restatement of Net Position**

For the fiscal year ended December 31, 2018, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments*.

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See below for the effect on net position as previously reported.

The restatement of long-term obligations was the result an error in the amortization of the Engle Road special assessment bonds in prior years.

	Governmental Activities
Net Position, December 31, 2017	\$ 49,081,206
Adjustments:	
Net OPEB Liability	(16,708,511)
Deferred Outflow-Payments	
Subsequent to Measurement Date	95,622
Change in Long-Term Obligations	3,000
Restated Net Position, December 31, 2017	<u>\$ 32,471,317</u>

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

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, pension and other postemployment benefits (OPEB). These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the City.

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 4 - Budgetary Basis of Accounting**

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

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

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

<u>Net Change in Fund Balance</u>		
	<u>General</u>	<u>Recreation</u>
GAAP Basis	\$308,570	\$42,398
Net Adjustment for Revenue Accruals	(97,361)	(21,522)
Fair Value Adjustment for Investments 2017	(25,927)	0
Fair Value Adjustment for Investments 2018	10,256	0
Advances In	1,075,000	0
Advances Out	(923,601)	0
Net Adjustment for Expenditure Accruals	(116,851)	(311)
Encumbrances	<u>(521,888)</u>	<u>(26,433)</u>
Budget Basis	<u>(\$291,802)</u>	<u>(\$5,868)</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.



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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:

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

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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.

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party.

The City's investment policy limits the amount of investments placed with any institution to be no more than 50 percent of the City's investment portfolio. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or
- 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. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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.

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		\$5,348,432	\$5,348,432	\$0	78.01%
	Fair Value - Level Two Inputs:					
AAA	Federal Home Loan Bank Bonds		1,489,369	1,489,369	0	21.72%
	Cost Value:					
	Middleburg Heights Manuscript Bonds		18,101	18,101		0.26%
	Total Portfolio		\$6,855,902	\$6,855,902	\$0	100.00%

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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, 2018. 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, 2018, is 44.9 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.

## **Note 6 – Receivables**

Receivables at December 31, 2018, 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 \$2,195,000 in the Bond Retirement Fund. At December 31, 2018 the amount of delinquent special assessments was \$7,939.

### **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 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes are levied after October 1, 2018 on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019 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. 2018 public utility property taxes, which

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became a lien December 31, 2017, are levied after October 1, 2018, and collected in 2018 with real property taxes.

The tax rate for all City operations for the year ended December 31, 2018, was \$4.45 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2018 property tax receipts were based are as follows:

Real Property	\$533,431,700
Public Utility Tangible Property	<u>24,165,970</u>
Total Valuation	<u><u>\$557,597,670</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, 2018 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 2018 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 2018, the City levied a municipal income tax of 2.00 percent on all income earned within the City as well as on income of residents earned outside of the City. In the case of income of residents earned outside of the city, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA), on behalf of the City, at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first (advance) and tenth business days (final settlement) of the following month. Income tax revenue is credited to the General Fund, Recreation Fund, General Obligation Bond Retirement Fund, Capital Improvements Fund, and Streets/Infrastructure Improvements Fund.

***C. Intergovernmental Receivable***

A summary of intergovernmental receivables follows:

Governmental Activities	Amounts
Gasoline Taxes	\$346,000
Homestead and Rollback	125,361
Local Government Funds	96,500
Permissive Motor Vehicle License Tax	10,209
Liquor Permit	1,009
Berea Municipal Court	1,870

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Targeted Enforcement Grant	609
Total	<u>\$581,558</u>

**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 2018, 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	\$60,497,696
Travelers Insurance Co.	Inland marine coverage	\$2,258,821
Travelers Insurance Co.	Public Entity Management 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

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 2018 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 \$2,759,376 in aggregate. In 2018, the City funded the self-insurance internal service fund at \$800 per month for single coverage and \$2,000 per month for family coverage. These charges are paid by the fund from which the employees' compensation is paid.

The claims liability of \$383,535, as estimated and reported in the internal service fund at December 31, 2018, 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

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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
2017	\$328,481	\$2,469,888	(\$2,253,105)	\$545,264
2018	\$545,264	\$2,373,006	(\$2,534,735)	\$383,535

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, 2018, was as follows:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
<b>Governmental Activities</b>				
<i><b>Capital Assets not being Depreciated:</b></i>				
Land	\$7,087,636	\$168,588	\$0	\$7,256,224
Construction-In-Progress	9,634,488	1,606,495		11,240,983
Total Capital Assets, not being Depreciated	16,722,124	1,775,083	0	18,497,207
<i><b>Capital Assets being Depreciated:</b></i>				
Land Improvements	1,425,689			1,425,689
Buildings and Improvements	31,624,877	175,004		31,799,881
Furniture and Fixtures	97,476	45,150		142,626
Machinery and Equipment	10,886,818	318,394	(438,025)	10,767,187
Infrastructure:				
Streets	27,240,589			27,240,589
Sidewalks	1,099,378			1,099,378
Traffic Signals	3,533,702	10,863		3,544,565
Water Mains	2,915,376			2,915,376
Sanitary Sewers	2,809,418			2,809,418
Storm Sewers	5,068,546	390,917		5,459,463
Total Capital Assets being Depreciated	86,701,869	940,328	(438,025)	87,204,172
Less Accumulated Depreciation:				
Land Improvements	(1,013,316)	(32,968)		(1,046,284)
Buildings and Improvements	(13,257,291)	(692,714)		(13,950,005)
Furniture and Fixtures	(64,419)	(6,379)		(70,798)
Machinery and Equipment	(7,629,355)	(574,295)	438,025	(7,765,625)
Infrastructure:				
Streets	(6,328,116)	(681,538)		(7,009,654)
Sidewalks	(247,989)	(27,484)		(275,473)
Traffic Signals	(2,632,312)	(176,685)		(2,808,997)

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Water Mains	(562,523)	(38,872)		(601,395)
Sanitary Sewers	(685,269)	(39,795)		(725,064)
Storm Sewers	(766,342)	(67,581)		(833,923)
Total Accumulated Depreciation	<u>(33,186,932)</u>	<u>(2,338,311)</u>	<u>438,025</u>	<u>(35,087,218)</u>
Total Capital Assets being Depreciated, Net	<u>53,514,937</u>	<u>(1,397,983)</u>	<u>0</u>	<u>52,116,954</u>
Governmental Activities Capital Assets, Net	<u>\$70,237,061</u>	<u>\$377,100</u>	<u>\$0</u>	<u>\$70,614,161</u>

\* Depreciation expense was charged to governmental activities as follows:

General Government	\$496,768
Public Safety:	
Police	177,260
Fire	211,869
Streets and Highways	1,031,956
Culture and Recreation	420,458
Total Depreciation Expense	<u>\$2,338,311</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 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.

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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)***

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan 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 reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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



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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 three 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 three percent.

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

	State and Local
<b>2018 Statutory Maximum Contribution Rates</b>	
Employer	14.00 %
Employee	10.00 %
<b>2018 Actual Contribution Rates</b>	
Employer:	
Pension	14.00 %
Post-Employment Health Care Benefits	0.00 %
Total Employer	<u>14.00 %</u>
Employee	<u>10.00 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,025,009 for 2018.

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average

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

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

Members 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:

	<u>Police</u>	<u>Firefighters</u>
<b>2018 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2018 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-Employment Health Care Benefits	0.50 %	0.50 %
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,157,171 for 2018. Of this amount, \$84,069 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. 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:

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	OPERS	OP&F	Total
Proportion of the Net Pension Liability:			
Current Measurement Period	0.05334791%	0.22953300%	
Prior Measurement Period	0.05577748%	0.23950500%	
Change in Proportion	-0.00242957%	-0.00997200%	
Proportionate Share of the Net			
Pension Liability	\$ 8,369,253	\$ 14,087,477	\$ 22,456,730
Pension Expense	\$ 1,651,253	\$ 1,434,605	\$ 3,085,858

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, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 8,547	\$ 213,788	\$ 222,335
Changes of Assumptions	1,000,178	613,866	1,614,044
Changes in Proportionate Share	7,755	0	7,755
City Contributions Subsequent			
to the Measurement Date	1,025,009	1,157,171	2,182,180
Total Deferred Outflows of Resources	<u>\$ 2,041,489</u>	<u>\$ 1,984,825</u>	<u>\$ 4,026,314</u>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 164,930	\$ 25,484	\$ 190,414
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	1,796,769	487,318	2,284,087
Changes in Proportionate Share	318,272	1,069,316	1,387,588
Total Deferred Inflows of Resources	<u>\$ 2,279,971</u>	<u>\$ 1,582,118</u>	<u>\$ 3,862,089</u>

\$2,182,180 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, 2019. 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	OP&F	Total
2019	\$ 568,435	\$ 93,298	\$ 661,733
2020	(302,404)	(34,822)	(337,226)
2021	(791,202)	(539,570)	(1,330,772)
2022	(738,320)	(349,648)	(1,087,968)
2023	0	60,499	60,499
Thereafter	0	15,779	15,779
	<u>\$ (1,263,491)</u>	<u>\$ (754,464)</u>	<u>\$ (2,017,955)</u>

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***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, 2017, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017 are presented below.

Valuation Date	December 31, 2017
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)
Investment Rate of Return	7.50 percent
Actuarial Cost Method	Individual Entry Age
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

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described table.

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 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. 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. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first

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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 was 16.82 percent for 2017.

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 the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 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 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	5.66 %

**Discount Rate** The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the 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	\$ 14,861,660	\$ 8,369,253	\$ 2,956,541

**Actuarial Assumptions – OP&F**

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future.

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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, 2017, are presented below:

Actuarial Cost Method	Entry Age (Level Percent of Payroll)
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Increases	3.25 percent (inflation plus productivity increase)
Inflation Assumptions	2.75 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.20 percent simple for increases based on lesser of the increase in CPI and 3.00 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. 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 real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

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Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Domestic Equity	16.00 %	4.22 %	5.39 %
Non-US Equity	16.00	4.41	5.59
Private Markets	8.00	6.67	8.08
Core Fixed Income*	23.00	1.57	2.71
High Yield Fixed Income	7.00	2.94	4.71
Private Credit	5.00	6.93	7.26
U.S. Inflation Linked Bonds*	17.00	0.98	2.52
Master Limited Partnerships	8.00	7.50	7.93
Real Assets	8.00	6.88	7.24
Private Real Estate	12.00	5.58	6.34
Total	120.00 %		

Note: Assumptions are geometric.

\* Levered 2x

\*\* Numbers are net of expected inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall total portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the total portfolio may be levered 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 8.00 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 8.00 percent. Based on those assumptions, OP&F'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 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's Proportionate Share of the Net Pension Liability	\$ 19,528,937	\$ 14,087,477	\$ 9,649,468

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**Note 10 - Defined Benefit OPEB Plans**

***Net OPEB Liability***

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

The net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB 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)***

OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains 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.



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In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. 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.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

**Funding Policy** - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, 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 2018, 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 1.0 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 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2018.

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

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement 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

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child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, 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 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OP&F was \$27,476 for 2018. Of this amount, \$1,996 is reported as an intergovernmental payable.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB***

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Period	0.05046767%	0.22953300%	
Prior Measurement Period	0.05286700%	0.23950500%	
Change in Proportion	-0.00239933%	-0.00997200%	
Proportionate Share of the Net			
OPEB Liability	\$ 5,480,417	\$ 13,005,024	\$ 18,485,441
OPEB Expense	\$ 380,049	\$ 956,567	\$ 1,336,616

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 4,269	\$ 0	\$ 4,269
Changes of Assumptions	399,032	1,269,013	1,668,045
Changes in Proportionate Share	0	0	0
City Contributions Subsequent			
to the Measurement Date	0	27,476	27,476
Total Deferred Outflows of Resources	\$ 403,301	\$ 1,296,489	\$ 1,699,790
<b>Deferred Inflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 0	\$ 65,592	\$ 65,592
Net Difference between Projected and Actual			
Earnings on OPEB Plan Investments	408,254	85,605	493,859
Changes in Proportionate Share	163,954	412,973	576,927
Total Deferred Inflows of Resources	\$ 572,208	\$ 564,170	\$ 1,136,378

\$27,476 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2019	\$ 12,369	\$ 94,162	\$ 106,531
2020	12,369	94,162	106,531
2021	(91,583)	94,162	2,579
2022	(102,062)	94,161	(7,901)
2023	0	115,563	115,563
Thereafter	0	212,633	212,633
Total	\$ (168,907)	\$ 704,843	\$ 535,936

**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

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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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of 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 health care 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 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 Health Care portfolio is 15.2 percent for 2017.

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The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 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	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

**Discount Rate** A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's Proportionate Share of the Net OPEB Liability	\$ 7,280,970	\$ 5,480,417	\$ 4,023,787

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate** Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

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Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 5,243,591	\$ 5,480,417	\$ 5,725,052

***Actuarial Assumptions – OP&F***

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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

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Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.20 percent simple for increased based on the lesser of the increase in CPI and 3.00 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	16.00 %	5.21 %
Non-US Equity	16.00	5.40
Core Fixed Income*	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.

\* Levered 2x

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

**Discount Rate** The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from 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 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's Proportionate Share of the Net OPEB Liability	\$ 16,256,430	\$ 13,005,024	\$ 10,503,200

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care**



**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018

**Cost Trend Rate** Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 10,102,532	\$ 13,005,024	\$ 16,916,587

***Changes between Measurement Date and Report Date***

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

**Note 11 - Compensated Absences**

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

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

**Note 12 - Contingencies**

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

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018

**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	Other Governmental Funds
Non-Spendable for:						
Prepaid Items	\$184,645	\$13,815	\$0	\$0	\$0	\$0
Materials and Supplies						
Inventory	82,105	29,971				215,105
Unclaimed Monies	85,289					
Total Non-Spendable	352,039	43,786	0	0	0	215,105
Restricted for:						
Bond Retirement			302,263			
Recreation		322,515				
Street Construction						646,534
State Highway						169,010
Clerk of Court Computer						56,420
Law Enforcement						171,083
Police Pension						30,946
Fire Pension						30,946
Total Restricted	0	322,515	302,263	0	0	1,104,939
Committed to:						
Capital Improvements						
Street/Infrastr. Improvements					232,443	
Medical Transport						306,259
Tree Planting						13,393
Veteran's Memorial						7,121
Total Committed	0	0	0	0	232,443	326,773
Assigned for:						
Unpaid Obligations	345,074					
Unassigned:	6,676,456	0	0	(118,995)	0	(67)
Total Fund Balance:	\$7,373,569	\$366,301	\$302,263	(\$118,995)	\$232,443	\$1,646,750

The deficits in the Capital Improvements Fund and FEMA Grant funds 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
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**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018

**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
American Veterans Parkway	2018	3.00 - 4.00%	2,200,000

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

	Restated Outstanding 12/31/17	Additions	(Reductions)	Outstanding 12/31/18	Amounts Due in One Year
<b>General Obligation Bonds:</b>					
Emergency Generator	\$155,000	\$0	(\$30,000)	\$125,000	\$30,000
Community & Service Center Refunding	930,000		(930,000)	0	0
2013 Street Improvements	4,825,000		(270,000)	4,555,000	275,000
Unamortized Premium	218,300		(31,078)	187,222	0
<b>Total General Obligation Bonds</b>	<b>6,128,300</b>	<b>0</b>	<b>(1,261,078)</b>	<b>4,867,222</b>	<b>305,000</b>
<b>Special Assessment Bonds:</b>					
Engle Road Improvements	58,000		(58,000)	0	0
Engle Road Improvements	65,000		(10,000)	55,000	10,000
Hepburn Road Improvements	47,000		(47,000)	0	0
Fowles Road Sanitary Sewer	35,178		(17,077)	18,101	18,101
American Veterans Parkway	0	2,200,000	0	2,200,000	50,000
Unamortized Premium		28,756	(777)	27,979	
<b>Total Special Assessment Bonds</b>	<b>205,178</b>	<b>2,228,756</b>	<b>(132,854)</b>	<b>2,301,080</b>	<b>78,101</b>
<b>Net Pension Liability:</b>					
Pension	27,836,143		(5,379,413)	22,456,730	
OPEB	16,708,511	1,776,930	0	18,485,441	
<b>Total Net Pension/OPEB Liability</b>	<b>44,544,654</b>	<b>1,776,930</b>	<b>(5,379,413)</b>	<b>40,942,171</b>	<b>0</b>
<b>Other Long-Term Liabilities</b>					
2014 Capital Lease - Loader	72,586		(35,929)	36,657	36,657
Compensated Absences	3,054,782	2,118,464	(1,970,092)	3,203,154	1,861,218
OPWC - Loan	694,777		(40,869)	653,908	40,869
<b>Total Other Long-Term Liabilities</b>	<b>3,822,145</b>	<b>2,118,464</b>	<b>(2,046,890)</b>	<b>3,893,719</b>	<b>1,938,744</b>
<b>Total Long-Term Liabilities</b>	<b>\$54,700,277</b>	<b>\$6,124,150</b>	<b>(\$8,820,235)</b>	<b>\$52,004,192</b>	<b>\$2,321,845</b>

# City of Middleburg Heights, Ohio

## Notes to the Basic Financial Statements

For the Year Ended December 31, 2018

**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, 2018 the amount of defeased debt outstanding on this issue amounted to \$0.

**Net Pension and OPEB Liability** There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund. For additional information related to the net liability and net OPEB liability see notes 9 and 10.

**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 \$58,547,755 at December 31, 2018. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2018, are as follows:

Year	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2019	\$305,000	\$138,425	\$78,101	\$84,524
2020	310,000	131,575	65,000	81,487
2021	315,000	124,625	65,000	79,313
2022	325,000	116,150	70,000	76,637
2023	300,000	106,600	55,000	73,763
2024-2028	1,630,000	392,900	320,000	333,212
2029-2033	1,495,000	127,350	380,000	269,006
2034-2038			450,000	198,150
2039-2043			545,000	108,750
2044-2048			245,000	13,875
Total	\$4,680,000	\$1,137,625	\$2,273,101	\$1,318,717

Year	OPWC Loan		Totals	
	Principal	Interest	Principal	Interest
2019	\$40,869	\$0	\$423,970	\$222,949
2020	40,869		415,869	213,062

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018

2021	40,869		420,869	203,938
2022	40,869		435,869	192,787
2023	40,869		395,869	180,363
2024-2028	204,347		2,154,347	726,112
2029-2033	204,347		2,079,347	396,356
2034-2038	40,869		490,869	198,150
2039-2043			545,000	108,750
2044-2048			245,000	13,875
Total	<u>\$653,908</u>	<u>\$0</u>	<u>\$7,607,009</u>	<u>\$2,456,342</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, 2018, the aggregate principal amount of conduit debt obligations outstanding is \$137,760,263.

## Note 15 – Capital Leases

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

	Governmental Activities
	<u>2014</u>
	<u>Loader</u>
Asset:	
Machinery and Equipment	\$179,717
Less: Accum Depreciation	<u>(70,389)</u>
	<u>\$109,328</u>

The future minimum lease obligations and the present value of these minimum lease payments as of December 31, 2018, are as follows:

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018

	Governmental Activities
Year Ending December 31:	Loader
2019	37,401
Total Minimum Lease Payments	37,401
Less: Amount Representing Interest	(744)
Present Value of Minimum Lease Payments	<u>\$36,657</u>

**Note 16 - Contractual Commitments**

The City had the following contractual commitments outstanding at December 31, 2018:

Project	Remaining on Contract
Smith Road Project	20,790
Bagley Road Bridge Improvements	62,443
Bagley / Baldwin Traffic Signal	30,000
Bagley Road Culvert	79,153
Aviation Management	12,418
Street Improvement Program	72,958
Street Sweeping	36,760
Library Demolition	127,725
	<u>\$442,247</u>

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

Funds	Encumbrance Commitments
General fund	\$521,888
Recreation Fund	26,433
Bond Retirement Fund	2,167
Nonmajor Governmental Funds	686,078
	<u>\$1,236,566</u>

**Note 17 – Interfund Transfers and Balances**

During calendar year 2018, 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. Also, a transfer of \$4,143 was made from the Bagley/Fry Roadway Fund to the Bond Retirement Fund. This transfer was the funds remaining after construction was completed and were transferred to pay for

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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the debt service on the project. In addition, three inter-fund receivable/payables were made in 2018. A total of \$923,601 was advanced from the General Fund. \$473,000 went to the Capital Improvement Fund, \$400,000 to the Street Infrastructure Improvement Fund and \$50,601 to the FEMA Grant Fund. All and will be repaid in 2019.

**Note 18 - Jointly Governed Organizations**

***A. Southwest General Health Center***

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

The Health Center is governed by a Board of Trustees consisting of the following: one person who is a member of the legislative body from each of the political subdivisions, one person residing in each political subdivision who is not a member of the legislative body, three people who are residents of any of the participating political subdivisions, the president of the corporation, the president of the medical staff, the vice president of the medical staff, and the executive vice president of the corporation. The legislative bodies of each political subdivision elect their members to serve on the Board of Trustees of the Health Center. The Board exercises total control over the operation of the Health Center including budgeting, appropriating, contracting and designating management. Each City's degree of control is limited to its representation on the Board. The Southwest General Hospital special revenue fund accounts for property tax resources that are distributed to the Health Center. In 2018, the City of Middleburg Heights remitted \$185,234 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 2018, the City of Middleburg Heights contributed \$10,000 for operating expenses to the Cemetery.

***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 2018, the City of Middleburg Heights contributed \$20,000 to the Council. The Council's financial statements may be obtained by contacting the Southwest Council of Governments, 11 Berea Commons, Berea, Ohio.

**City of Middleburg Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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***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 over 200 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities. NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Ronald McVoy, Board Chairman, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

***E. Suburban Water Regional Council of Governments***

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

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



# REQUIRED SUPPLEMENTARY



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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><i>Ohio Public Employees' Retirement System (OPERS)</i></b>					
City's Proportion of the Net Pension Liability	0.05334791%	0.05577748%	0.0572220%	0.0559400%	0.0559400%
City's Proportionate Share of the Net Pension Liability	\$8,369,253	\$ 12,666,117	\$ 9,911,572	\$ 6,746,989	\$ 6,594,597
City's Covered Payroll	\$7,047,179	\$ 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	118.76%	175.70%	139.00%	97.34%	99.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%
<b><i>Ohio Police and Fire Pension Fund (OPF)</i></b>					
City's Proportion of the Net Pension Liability	0.22953300%	0.23950500%	0.2455100%	0.2600447%	0.2600447%
City's Proportionate Share of the Net Pension Liability	\$14,087,477	\$ 15,170,026	\$ 15,793,831	\$ 13,471,400	\$ 12,664,993
City's Covered Payroll	\$5,030,065	\$ 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	280.07%	293.33%	307.49%	263.92%	255.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	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- Pension*  
*Last Ten Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><i>Ohio Public Employees' Retirement System (OPERS)</i></b>				
Contractually Required Contribution	\$ 1,025,009	\$ 916,133	\$ 865,049	\$ 855,649
Contributions in Relation to the Contractually Required Contribution	<u>(1,025,009)</u>	<u>(916,133)</u>	<u>(865,049)</u>	<u>(855,649)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 7,321,493	\$ 7,047,179	\$ 7,208,742	\$ 7,130,408
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%
<b><i>Ohio Police and Fire Pension Fund (OPF)</i></b>				
Contractually Required Contribution	\$ 1,157,171	\$ 1,061,150	\$ 1,089,883	\$ 1,089,823
Contributions in Relation to the Contractually Required Contribution	<u>(1,157,171)</u>	<u>(1,061,150)</u>	<u>(1,089,883)</u>	<u>(1,089,823)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 5,495,118	\$ 5,030,065	\$ 5,171,594	\$ 5,136,362
Contributions as a Percentage of Covered Payroll	21.06%	21.10%	21.07%	21.22%

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 831,799	\$ 865,308	n/a	n/a	n/a	n/a
<u>(831,799)</u>	<u>(865,308)</u>	n/a	n/a	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a	n/a	n/a
\$ 6,931,658	\$ 6,656,215	n/a	n/a	n/a	n/a
12.00%	13.00%	n/a	n/a	n/a	n/a
\$ 1,088,457	\$ 1,069,224	\$ 1,039,163	\$ 1,035,237	\$ 1,039,423	\$ 996,565
<u>(1,088,457)</u>	<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>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 5,104,401	\$ 4,963,462	\$ 4,821,539	\$ 4,804,760	\$ 4,846,103	\$ 4,633,630
21.32%	21.54%	21.55%	21.55%	21.45%	21.51%

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

	<u>2018</u>	<u>2017</u>
<b><i>Ohio Public Employees' Retirement System (OPERS)</i></b>		
City's Proportion of the Net OPEB Liability	0.05046767%	0.05286700%
City's Proportionate Share of the Net OPEB Liability	\$ 5,480,417	\$ 5,339,747
City's Covered Payroll	\$ 7,047,179	\$ 7,208,742
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	77.77%	74.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%
<b><i>Ohio Police and Fire Pension Fund (OPF)</i></b>		
City's Proportion of the Net OPEB Liability	0.2295330%	0.2395050%
City's Proportionate Share of the Net OPEB Liability	\$ 13,005,024	\$ 11,368,764
City's Covered Payroll	\$ 5,030,065	\$ 5,171,594
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	258.55%	219.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

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

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**City of Middleburg Heights**  
**Cuyahoga County, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Contributions - OPEB*  
*Last Ten Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><i>Ohio Public Employees' Retirement System (OPERS)</i></b>				
Contractually Required Contribution	\$ 0	\$ 70,472	\$ 144,175	n/a
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>(70,472)</u>	<u>(144,175)</u>	n/a
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a
City's Covered Payroll (1)	\$ 7,321,493	\$ 7,047,179	\$ 7,208,742	n/a
Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.00%	n/a
<b><i>Ohio Police and Fire Pension Fund (OPF)</i></b>				
Contractually Required Contribution	\$ 27,476	\$ 25,150	\$ 25,858	\$ 17,428
Contributions in Relation to the Contractually Required Contribution	<u>(27,476)</u>	<u>(25,150)</u>	<u>(25,858)</u>	<u>(17,428)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 5,495,118	\$ 5,030,065	\$ 5,171,594	\$ 5,136,362
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.30%

(n/a) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(1) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.



<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
\$ 17,361	\$ 66,534	\$ 325,243	\$ 324,112	\$ 326,904	\$ 312,569
<u>(17,361)</u>	<u>(66,534)</u>	<u>(325,243)</u>	<u>(324,112)</u>	<u>(326,904)</u>	<u>(312,569)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 5,104,401	\$ 4,963,462	\$ 4,821,539	\$ 4,804,760	\$ 4,846,103	\$ 4,633,630
0.30%	1.34%	6.75%	6.75%	6.75%	6.75%

**City of Middleburg Heights**  
**Cuyahoga County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2018*

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**Note 1 - Net Pension Liability**

***Changes in Assumptions – OPERS***

Amounts reported in calendar year 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00 percent to 7.50 percent
- Wage inflation rate from 3.75 percent to 3.25 percent
- Price inflation from 3.00 percent to 2.50 percent

***Changes in Assumptions – OP&F***

For 2017, the single discount rate changed from 8.25 percent to 8.00 percent.

**Note 2 - Net OPEB Liability**

***Changes in Assumptions - OPERS***

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

***Changes in Assumptions – OPF***

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

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## **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.

***FEMA Grant Fund*** To account for the grant proceeds from the Federal Emergency Management Agency and related expenditures.

***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.

**Combining Statements**  
**Non-major Governmental Funds (Continued)**

*Nonmajor Capital Projects Fund*

Capital Projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

***Bagley/Fry Roadway Fund*** To account for bond proceeds restricted for construction of the new roadway subsequently dedicated as American Veterans Parkway.

# City of Middleburg Heights, Ohio

## Combining Balance Sheet

### Nonmajor Governmental Funds

December 31, 2018

	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
<b>Assets:</b>		
Equity in Pooled Cash and Investments	\$1,369,614	\$1,369,614
Materials and Supplies Inventory	215,105	215,105
Accounts Receivable	108,686	108,686
Intergovernmental Receivable	378,444	378,444
Property Taxes Receivable	497,057	497,057
<i>Total Assets</i>	<u>2,568,906</u>	<u>2,568,906</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u><u>\$2,568,906</u></u>	<u><u>\$2,568,906</u></u>
<b>Liabilities:</b>		
Accounts Payable	\$24,684	\$24,684
Accrued Wages	15,889	15,889
Interfund Payable	50,601	50,601
<i>Total Liabilities</i>	<u>91,174</u>	<u>91,174</u>
<b>Deferred Inflows of Resources:</b>		
Property Taxes	470,140	470,140
Unavailable Revenue-Delinquent Property Taxes	26,917	26,917
Unavailable Revenue-Other	333,925	333,925
<i>Total Deferred Inflows of Resources</i>	<u>830,982</u>	<u>830,982</u>
<b>Fund Balances</b>		
Non-Spendable	215,105	215,105
Restricted	1,104,939	1,104,939
Committed	326,773	326,773
Unassigned	(67)	(67)
<i>Total Fund Balances</i>	<u>1,646,750</u>	<u>1,646,750</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u><u>\$2,568,906</u></u>	<u><u>\$2,568,906</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, 2018*

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Property Taxes	\$451,198	\$0	\$451,198
Intergovernmental	950,377		950,377
Interest	209	293	502
Fines, Licenses and Permits	37,221		37,221
Charges for Services	188,977		188,977
Other	11,176		11,176
<i>Total Revenues</i>	<u>1,639,158</u>	<u>293</u>	<u>1,639,451</u>
<b>Expenditures</b>			
Current:			
Security of Persons and Property:			
Police	148,155		148,155
Fire	188,906		188,906
Public Health and Welfare	185,317		185,317
Streets and Highways	1,829,253		1,829,253
General Government	7,246		7,246
Capital Outlay	52,388		52,388
Debt Service:			
Interest and Fiscal Charges	0	15,677	15,677
<i>Total Expenditures</i>	<u>2,411,265</u>	<u>15,677</u>	<u>2,426,942</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(772,107)</u>	<u>(15,384)</u>	<u>(787,491)</u>
<b>Other Financing Sources</b>			
Bond Proceeds		2,090,000	2,090,000
Transfers In	1,100,000		1,100,000
Transfers Out	0	(4,143)	(4,143)
<i>Total Other Financing Sources</i>	<u>1,100,000</u>	<u>2,085,857</u>	<u>3,185,857</u>
<i>Net Change in Fund Balances</i>	<u>327,893</u>	<u>2,070,473</u>	<u>2,398,366</u>
<i>Fund Balances Beginning of Year</i>	<u>1,318,857</u>	<u>(2,070,473)</u>	<u>(751,616)</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,646,750</u></u>	<u><u>\$0</u></u>	<u><u>\$1,646,750</u></u>

**City of Middleburg Heights, Ohio**  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
December 31, 2018

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport	FEMA Grant
<b>Assets:</b>						
Equity in Pooled Cash and Investments	\$556,029	\$159,198	\$56,420	\$171,083	\$293,944	\$50,534
Materials and Supplies Inventory	208,603	6,502				
Accounts Receivable					108,686	
Intergovernmental Receivable	329,493	26,716				
Property Taxes Receivable						
<i>Total Assets</i>	<u>1,094,125</u>	<u>192,416</u>	<u>56,420</u>	<u>171,083</u>	<u>402,630</u>	<u>50,534</u>
<b>Liabilities:</b>						
Accounts Payable	\$15,149	\$0	\$0	\$0	\$9,535	
Accrued Wages	15,352				537	
Interfund Payable						50,601
<i>Total Liabilities</i>	<u>30,501</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,072</u>	<u>50,601</u>
<b>Deferred Inflows of Resources:</b>						
Property Taxes						
Unavailable Revenue-Delinquent Property Taxes						
Unavailable Revenue-Other	208,487	16,904			86,299	
<i>Total Deferred Inflows of Resources</i>	<u>208,487</u>	<u>16,904</u>	<u>0</u>	<u>0</u>	<u>86,299</u>	
<b>Fund Balances:</b>						
Non-Spendable	208,603	6,502				
Restricted	646,534	169,010	56,420	171,083		
Committed					306,259	
Unassigned						(67)
<i>Total Fund Balances</i>	<u>855,137</u>	<u>175,512</u>	<u>56,420</u>	<u>171,083</u>	<u>306,259</u>	<u>(67)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$1,094,125</u>	<u>\$192,416</u>	<u>\$56,420</u>	<u>\$171,083</u>	<u>\$402,630</u>	<u>\$50,534</u>

(continued)



**City of Middleburg Heights, Ohio**  
Combining Balance Sheet  
Nonmajor Special Revenue Funds (continued)  
December 31, 2018

	Police Pension	Fire Pension	Tree Planting	Veteran's Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
<b>Assets:</b>						
Equity in Pooled Cash and Investments	\$30,946	\$30,946	\$13,393	\$7,121		\$1,369,614
Materials and Supplies Inventory						\$215,105
Accounts Receivable						\$108,686
Intergovernmental Receivable	8,037	8,037			6,161	\$378,444
Property Taxes Receivable	153,003	153,003			191,051	\$497,057
<i>Total Assets</i>	<u>191,986</u>	<u>191,986</u>	<u>13,393</u>	<u>7,121</u>	<u>197,212</u>	<u>2,568,906</u>
<b>Liabilities:</b>						
Accounts Payable	\$0	\$0	\$0	\$0	\$0	\$24,684
Accrued Wages						\$15,889
Interfund Payable						50,601
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>91,174</u>
<b>Deferred Inflows of Resources:</b>						
Property Taxes	144,599	144,599			180,942	470,140
Unavailable Revenue-Delinquent Property Taxes	8,404	8,404			10,109	26,917
Unavailable Revenue-Other	8,037	8,037			6,161	333,925
<i>Total Deferred Inflows of Resources</i>	<u>161,040</u>	<u>161,040</u>	<u>0</u>	<u>0</u>	<u>197,212</u>	<u>830,982</u>
<b>Fund Balances:</b>						
Non-Spendable						215,105
Restricted	30,946	30,946				1,104,939
Committed			13,393	7,121		326,773
Unassigned						(67)
<i>Total Fund Balances</i>	<u>30,946</u>	<u>30,946</u>	<u>13,393</u>	<u>7,121</u>	<u>0</u>	<u>1,646,750</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$191,986</u>	<u>\$191,986</u>	<u>\$13,393</u>	<u>\$7,121</u>	<u>\$197,212</u>	<u>\$2,568,906</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, 2018

	Street Construction	State Highway	Clerk of Court Computer	Law Enforcement	Medical Transport	FEMA Grant
<b>Revenues</b>						
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental	805,744	61,859		10,400		31,033
Interest	65	123		9		6
Fines, Licenses and Permits			4,380	32,841		
Charges for Services	17,295	3,085			167,897	
Other	10,588				588	
<i>Total Revenues</i>	<u>833,692</u>	<u>65,067</u>	<u>4,380</u>	<u>43,250</u>	<u>168,485</u>	<u>31,039</u>
<b>Expenditures</b>						
Current:						
Security of Persons and Property:						
Police				3,082		
Fire					43,833	
Public Health and Welfare						
Streets and Highways	1,802,686	26,567				
General Government			7,246			
Capital Outlay					21,282	31,106
<i>Total Expenditures</i>	<u>1,802,686</u>	<u>26,567</u>	<u>7,246</u>	<u>3,082</u>	<u>65,115</u>	<u>31,106</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(968,994)</u>	<u>38,500</u>	<u>(2,866)</u>	<u>40,168</u>	<u>103,370</u>	<u>(67)</u>
<b>Other Financing Sources</b>						
Transfers In	1,100,000					
<i>Total Other Financing Sources</i>	<u>1,100,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>131,006</u>	<u>38,500</u>	<u>(2,866)</u>	<u>40,168</u>	<u>103,370</u>	<u>(67)</u>
<i>Fund Balances Beginning of Year</i>	<u>724,131</u>	<u>137,012</u>	<u>59,286</u>	<u>130,915</u>	<u>202,889</u>	
<i>Fund Balances End of Year</i>	<u><u>\$855,137</u></u>	<u><u>\$175,512</u></u>	<u><u>\$56,420</u></u>	<u><u>\$171,083</u></u>	<u><u>\$306,259</u></u>	<u><u>(\$67)</u></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, 2018

	Police Pension	Fire Pension	Tree Planting	Veteran's Memorial	Southwest General Hospital	Total Nonmajor Special Revenue Funds
<b>Revenues</b>						
Property Taxes	\$139,327	\$139,327	\$0	\$0	\$172,544	\$451,198
Intergovernmental	14,475	14,475			12,391	950,377
Interest				6		209
Fines, Licenses and Permits						37,221
Charges for Services			700			188,977
Other						11,176
<i>Total Revenues</i>	<u>153,802</u>	<u>153,802</u>	<u>700</u>	<u>6</u>	<u>184,935</u>	<u>1,639,158</u>
<b>Expenditures</b>						
Current:						
Security of Persons and Property:						
Police	145,073					148,155
Fire		145,073				188,906
Public Health and Welfare					185,317	185,317
Streets and Highways						1,829,253
General Government						7,246
Capital Outlay						52,388
<i>Total Expenditures</i>	<u>145,073</u>	<u>145,073</u>	<u>0</u>	<u>0</u>	<u>185,317</u>	<u>2,411,265</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	<u>8,729</u>	<u>8,729</u>	<u>700</u>	<u>6</u>	<u>(382)</u>	<u>(772,107)</u>
<b>Other Financing Sources</b>						
Transfers In						1,100,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,100,000</u>
<i>Net Change in Fund Balances</i>	<u>8,729</u>	<u>8,729</u>	<u>700</u>	<u>6</u>	<u>(382)</u>	<u>327,893</u>
<i>Fund Balances Beginning 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>
<i>Fund Balances End of Year</i>	<u>\$30,946</u>	<u>\$30,946</u>	<u>\$13,393</u>	<u>\$7,121</u>	<u>\$0</u>	<u>\$1,646,750</u>

**City of Middleburg Heights, Ohio**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Capital Projects Fund*  
*For the Year Ended December 31, 2018*

	Bagley/Fry Roadway	Total Nonmajor Capital Projects Fund
<b>Revenues</b>		
Interest	\$293	\$293
<i>Total Revenues</i>	<u>293</u>	<u>293</u>
<b>Expenditures</b>		
Debt Service:		
Interest and Fiscal Charges	15,677	15,677
<i>Total Expenditures</i>	<u>15,677</u>	<u>15,677</u>
<i>Excess of Revenues Over (Under)</i>		
<i>Expenditures</i>	<u>(15,384)</u>	<u>(15,384)</u>
<b>Other Financing Sources</b>		
Bond Proceeds	2,090,000	2,090,000
Transfers Out	(4,143)	(4,143)
<i>Total Other Financing Sources</i>	<u>2,085,857</u>	<u>2,085,857</u>
<i>Net Change in Fund Balances</i>	2,070,473	2,070,473
<i>Fund Balances Beginning of Year</i>	<u>(2,070,473)</u>	<u>(2,070,473)</u>
<i>Fund Balances End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></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, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,477,631	\$1,477,631	\$1,555,910	\$78,279
Income Taxes	15,490,000	15,490,000	15,946,509	456,509
Other Local Taxes	685,000	685,000	662,732	(22,268)
Intergovernmental	382,340	382,413	417,754	35,341
Interest	70,000	70,000	131,297	61,297
Fines, Licenses and Permits	1,063,125	1,063,125	1,096,799	33,674
Charges for Services	417,600	417,600	423,190	5,590
Other	687,600	547,600	753,688	206,088
<i>Total Revenues</i>	<u>20,273,296</u>	<u>20,133,369</u>	<u>20,987,879</u>	<u>854,510</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Police:				
Personal Services	4,972,115	4,972,115	4,825,068	147,047
Other	532,316	538,116	466,653	71,463
Total Police	<u>5,504,431</u>	<u>5,510,231</u>	<u>5,291,721</u>	<u>218,510</u>
Fire:				
Personal Services	3,757,178	3,757,178	3,686,927	70,251
Other	368,803	418,347	409,635	8,712
Total Fire	<u>4,125,981</u>	<u>4,175,525</u>	<u>4,096,562</u>	<u>78,963</u>
Safety Director:				
Personal Services	74,653	74,653	37,371	37,282
Other	575	575	0	575
Total Safety Director	<u>75,228</u>	<u>75,228</u>	<u>37,371</u>	<u>37,857</u>
Total Security of Persons and Property	<u>9,705,640</u>	<u>9,760,984</u>	<u>9,425,654</u>	<u>335,330</u>
Public Health and Welfare:				
Senior Bus:				
Other	91,900	91,900	91,500	400
Total Senior Bus	<u>91,900</u>	<u>91,900</u>	<u>91,500</u>	<u>400</u>
Total Public Health and Welfare	<u>\$91,900</u>	<u>\$91,900</u>	<u>\$91,500</u>	<u>\$400</u>

(continued)

**City of Middleburg Heights, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund (continued)*  
*For the Year Ended December 31, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Community Development:				
Planning and Zoning:				
Personal Services	\$104,701	\$104,701	\$99,765	\$4,936
Other	4,650	4,650	2,920	1,730
Total Planning and Zoning	109,351	109,351	102,685	6,666
Building:				
Personal Services	692,041	692,040	684,456	7,584
Other	52,966	52,967	45,509	7,458
Total Building	745,007	745,007	729,965	15,042
Engineer:				
Other	56,903	56,903	54,011	2,892
Total Engineer	56,903	56,903	54,011	2,892
Total Community Development	911,261	911,261	886,661	24,600
Economic Development:				
Personal Services	158,383	158,783	158,713	70
Other	245,619	245,619	225,998	19,621
Total Economic Development	404,002	404,402	384,711	19,691
Sanitation:				
Other	1,062,722	1,147,722	1,074,595	73,127
Total Sanitation	1,062,722	1,147,722	1,074,595	73,127
General Government:				
Mayor's Court:				
Personal Services	273,001	273,001	264,559	8,442
Other	14,859	14,859	5,688	9,171
Total Mayor's Court	287,860	287,860	270,247	17,613
Mayor:				
Personal Services	553,363	553,363	549,434	3,929
Other	24,539	24,539	17,373	7,166
Total Mayor	\$577,902	\$577,902	\$566,807	\$11,095

(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, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Finance:				
Personal Services	\$557,944	\$557,944	\$554,021	\$3,923
Other	41,028	41,028	35,324	5,704
Total Finance	598,972	598,972	589,345	9,627
Law:				
Personal Services	329,144	329,144	301,826	27,318
Other	122,106	171,099	152,994	18,105
Total Law	451,250	500,243	454,820	45,423
Service:				
Personal Services	2,865,931	2,865,931	2,783,866	82,065
Other	445,989	445,989	428,266	17,723
Total Service	3,311,920	3,311,920	3,212,132	99,788
Facilities Maintenance:				
Personal Services	417,282	417,282	412,710	4,572
Other	284,729	284,729	252,962	31,767
Total Facilities Maintenance	702,011	702,011	665,672	36,339
Council:				
Personal Services	440,940	440,940	407,450	33,490
Other	13,793	48,294	45,517	2,777
Total Council	454,733	489,234	452,967	36,267
Boards and Commissions:				
Personal Services	3,105	3,105	2,011	1,094
Other	10,050	10,050	5,944	4,106
Total Boards and Commissions	13,155	13,155	7,955	5,200
City Hall:				
Personal Services	150,000	150,000	59,010	90,990
Other	1,521,307	1,659,682	1,437,165	222,517
Total City Hall	1,671,307	1,809,682	1,496,175	313,507
Statutory Accounts:				
Other	753,298	766,488	751,839	14,649
Total Statutory Accounts	753,298	766,488	751,839	14,649
Total General Government	8,822,408	9,057,467	8,467,959	589,508
Total Expenditures	\$20,997,933	\$21,373,736	\$20,331,080	\$1,042,656

(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, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(\$724,637)</u>	<u>(\$1,240,367)</u>	<u>\$656,799</u>	<u>\$1,897,166</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	525,000	1,075,000	1,075,000	0
Advances Out	0	(923,601)	(923,601)	0
Transfers Out	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(575,000)</u>	<u>(948,601)</u>	<u>(948,601)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,299,637)	(2,188,968)	(291,802)	1,897,166
<i>Fund Balance Beginning of Year</i>	2,401,496	2,401,496	2,401,496	0
Prior Year Encumbrances Appropriated	<u>1,182,098</u>	<u>1,182,098</u>	<u>1,182,098</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,283,957</u>	<u>\$1,394,626</u>	<u>\$3,291,792</u>	<u>\$1,897,166</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, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Income Taxes	\$2,180,000	\$2,180,000	\$2,063,938	(\$116,062)
Charges for Services	1,488,500	1,488,500	1,419,713	(68,787)
Other	2,200	2,200	40,690	38,490
<i>Total Revenues</i>	<u>3,670,700</u>	<u>3,670,700</u>	<u>3,524,341</u>	<u>(146,359)</u>
<b>Expenditures</b>				
Current:				
Culture and Recreation:				
Personal Services	2,737,606	2,737,606	2,716,025	21,581
Other	948,353	948,353	814,184	134,169
<i>Total Expenditures</i>	<u>3,685,959</u>	<u>3,685,959</u>	<u>3,530,209</u>	<u>155,750</u>
<i>Net Change in Fund Balance</i>	(15,259)	(15,259)	(5,868)	9,391
<i>Fund Balance Beginning of Year</i>	150,000	150,000	150,000	0
Prior Year Encumbrances Appropriated	<u>55,868</u>	<u>55,868</u>	<u>55,868</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$190,609</u>	<u>\$190,609</u>	<u>\$200,000</u>	<u>\$9,391</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, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$220,542	\$220,542	\$232,229	\$11,687
Income Taxes	826,850	826,850	826,850	0
Special Assessments	155,000	155,000	155,181	181
Intergovernmental	44,783	44,783	24,127	(20,656)
Interest	2,111	2,111	2,111	0
<i>Total Revenues</i>	<u>1,249,286</u>	<u>1,249,286</u>	<u>1,240,498</u>	<u>(8,788)</u>
<b>Expenditures</b>				
Current:				
General Government:				
Other	12,300	94,330	85,507	8,823
Debt Service:				
Principal Retirement	3,516,000	1,366,000	1,362,076	3,924
Interest and Fiscal Charges	206,477	244,100	243,955	145
<i>Total Expenditures</i>	<u>3,734,777</u>	<u>1,704,430</u>	<u>1,691,538</u>	<u>12,892</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(2,485,491)</u>	<u>(455,144)</u>	<u>(451,040)</u>	<u>4,104</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In			4,143	4,143
Bond Proceeds	2,250,000	138,756	138,756	0
<i>Total Other Financing Sources</i>	<u>2,250,000</u>	<u>138,756</u>	<u>142,899</u>	<u>4,143</u>
<i>Net Change in Fund Balance</i>	<u>(235,491)</u>	<u>(316,388)</u>	<u>(308,141)</u>	<u>8,247</u>
<i>Fund Balance Beginning of Year</i>	<u>541,279</u>	<u>541,279</u>	<u>541,279</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$305,788</u>	<u>\$224,891</u>	<u>\$233,138</u>	<u>\$8,247</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, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Income Taxes	\$971,218	\$971,218	\$990,251	\$19,033
Other	15,000	15,000	17,425	2,425
<i>Total Revenues</i>	<u>986,218</u>	<u>986,218</u>	<u>1,007,676</u>	<u>21,458</u>
<b>Expenditures</b>				
Capital Outlay	1,379,511	1,633,741	1,581,565	52,176
<i>Total Expenditures</i>	<u>1,379,511</u>	<u>1,633,741</u>	<u>1,581,565</u>	<u>52,176</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(393,293)</u>	<u>(647,523)</u>	<u>(573,889)</u>	<u>73,634</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	500	500	11,585	11,085
Advances In		473,000	473,000	0
Advances Out				0
Note Proceeds	500,000	0	0	0
<i>Total Other Financing Sources</i>	<u>500,500</u>	<u>473,500</u>	<u>484,585</u>	<u>11,085</u>
<i>Net Change in Fund Balance</i>	107,207	(174,023)	(89,304)	84,719
<i>Fund Balance Beginning of Year</i>	44,976	44,976	44,976	0
Prior Year Encumbrances Appropriated	143,961	143,961	143,961	0
<i>Fund Balance End of Year</i>	<u>\$296,144</u>	<u>\$14,914</u>	<u>\$99,633</u>	<u>\$84,719</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, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Income Taxes	\$564,368	\$564,368	\$583,401	\$19,033
Intergovernmental	0	550,000	544,809	(5,191)
Charges for Services	1,000	1,000	19	(981)
Interest	0	0	0	0
Other	95,600	415,000	417,425	2,425
<i>Total Revenues</i>	<u>660,968</u>	<u>1,530,368</u>	<u>1,545,654</u>	<u>15,286</u>
<b>Expenditures</b>				
Current:				
Capital Outlay	1,111,625	1,645,386	1,514,902	130,484
Total Capital Outlay	<u>1,111,625</u>	<u>1,645,386</u>	<u>1,514,902</u>	<u>130,484</u>
Debt Service:				
Principal Retirement	45,000	45,000	40,869	4,131
Total Debt Service	<u>45,000</u>	<u>45,000</u>	<u>40,869</u>	<u>4,131</u>
<i>Total Expenditures</i>	<u>1,156,625</u>	<u>1,690,386</u>	<u>1,555,771</u>	<u>134,615</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(495,657)</u>	<u>(160,018)</u>	<u>(10,117)</u>	<u>149,901</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	0	0
Advances Out	0	(550,000)	(550,000)	0
Bond Proceeds	0	0	0	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>(550,000)</u>	<u>(550,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(495,657)</u>	<u>(710,018)</u>	<u>(560,117)</u>	<u>149,901</u>
<i>Fund Balance Beginning of Year</i>	457,838	457,838	457,838	0
Prior Year Encumbrances Appropriated	<u>286,625</u>	<u>286,625</u>	<u>286,625</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$248,806</u>	<u>\$34,445</u>	<u>\$184,346</u>	<u>\$149,901</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, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Interest	\$0	\$293	\$293	\$0
<i>Total Revenues</i>	<u>0</u>	<u>293</u>	<u>293</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Capital Outlay	35,985	35,985	0	35,985
Total Capital Outlay	<u>35,985</u>	<u>35,985</u>	<u>0</u>	<u>35,985</u>
Debt Service:				
Principal Retirement	0	2,150,000	2,150,000	0
Interest and Fiscal Charges	<u>0</u>	<u>19,820</u>	<u>15,677</u>	<u>4,143</u>
Total Debt Service	<u>0</u>	<u>2,169,820</u>	<u>2,165,677</u>	<u>4,143</u>
<i>Total Expenditures</i>	<u>35,985</u>	<u>2,205,805</u>	<u>2,165,677</u>	<u>40,128</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(35,985)</u>	<u>(2,205,512)</u>	<u>(2,165,384)</u>	<u>40,128</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	0	(4,143)	(4,143)	0
Bond Proceeds	<u>0</u>	<u>2,090,000</u>	<u>2,090,000</u>	<u>0</u>
<i>Total Other Financing Sources</i>	<u>0</u>	<u>2,085,857</u>	<u>2,085,857</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(35,985)</u>	<u>(119,655)</u>	<u>(79,527)</u>	<u>40,128</u>
<i>Fund Balance Beginning of Year</i>	<u>43,542</u>	<u>43,542</u>	<u>43,542</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>35,985</u>	<u>35,985</u>	<u>35,985</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$43,542</u></u>	<u><u>(\$40,128)</u></u>	<u><u>\$0</u></u>	<u><u>\$40,128</u></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, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Intergovernmental	\$770,000	\$770,000	\$803,856	\$33,856
Interest	10	10	65	55
Charges for Services	6,000	6,000	17,295	11,295
Other	37,000	37,000	10,587	(26,413)
<i>Total Revenues</i>	<u>813,010</u>	<u>813,010</u>	<u>831,803</u>	<u>18,793</u>
<b>Expenditures</b>				
Current:				
Transportation:				
Streets and Highways:				
Personal Services	917,535	917,535	784,190	133,345
Other	1,263,989	1,268,989	1,200,326	68,663
<i>Total Expenditures</i>	<u>2,181,524</u>	<u>2,186,524</u>	<u>1,984,516</u>	<u>202,008</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,368,514)</u>	<u>(1,373,514)</u>	<u>(1,152,713)</u>	<u>220,801</u>
<b>Other Financing Sources</b>				
Transfers In	1,100,000	1,100,000	1,100,000	0
<i>Net Change in Fund Balance</i>	<u>(268,514)</u>	<u>(273,514)</u>	<u>(52,713)</u>	<u>220,801</u>
<i>Fund Balance Beginning of Year</i>	<u>381,773</u>	<u>381,773</u>	<u>381,773</u>	<u>0</u>
Prior Year Encumbrances Appropriated	177,189	177,189	177,189	0
<i>Fund Balance End of Year</i>	<u>\$290,448</u>	<u>\$285,448</u>	<u>\$506,249</u>	<u>\$220,801</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, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$62,000	\$62,000	\$64,805	\$2,805
Interest	10	10	123	113
Other	2,000	2,000	3,085	1,085
<i>Total Revenues</i>	<u>64,010</u>	<u>64,010</u>	<u>68,013</u>	<u>4,003</u>
<b>Expenditures</b>				
Current:				
Transportation:				
Streets and Highways:				
Other	75,000	75,000	62,585	12,415
<i>Net Change in Fund Balance</i>	<u>(10,990)</u>	<u>(10,990)</u>	<u>5,428</u>	<u>16,418</u>
<i>Fund Balance Beginning of Year</i>	<u>114,475</u>	<u>114,475</u>	<u>114,475</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$103,485</u></u>	<u><u>\$103,485</u></u>	<u><u>\$119,903</u></u>	<u><u>\$16,418</u></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, 2018*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Fines, Licenses and Permits	<u>\$7,000</u>	<u>\$7,000</u>	<u>\$4,380</u>	<u>(\$2,620)</u>
<b>Expenditures</b>				
Current:				
General Government:				
Other	<u>10,833</u>	<u>10,833</u>	<u>7,851</u>	<u>2,982</u>
<i>Net Change in Fund Balance</i>	<u>(3,833)</u>	<u>(3,833)</u>	<u>(3,471)</u>	<u>362</u>
<i>Fund Balance Beginning of Year</i>	<u>58,973</u>	<u>58,973</u>	<u>58,973</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>313</u>	<u>313</u>	<u>313</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$55,453</u></u>	<u><u>\$55,453</u></u>	<u><u>\$55,815</u></u>	<u><u>\$362</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, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest	\$0	\$0	\$9	\$9
Intergovernmental	0	0	10,400	10,400
Fines, Licenses and Permits	2,700	2,700	32,891	30,191
<i>Total Revenues</i>	2,700	2,700	43,300	40,600
<b>Expenditures</b>				
Public Safety:				
Other	13,500	18,500	3,082	15,418
Total Transportation	13,500	18,500	3,082	15,418
<i>Total Expenditures</i>	13,500	18,500	3,082	15,418
<i>Excess of Revenues Over Expenditures</i>	(10,800)	(15,800)	40,218	56,018
<i>Fund Balance Beginning of Year</i>	130,865	130,865	130,865	0
<i>Fund Balance End of Year</i>	\$120,065	\$115,065	\$171,083	\$56,018

**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, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Charges for Services	\$168,000	\$168,000	\$167,787	(\$213)
Intergovernmental	2,000	2,000	0	(2,000)
Other	0	0	588	588
<i>Total Revenues</i>	<u>170,000</u>	<u>170,000</u>	<u>168,375</u>	<u>(1,625)</u>
<b>Expenditures</b>				
Current:				
Transportation:				
Public Safety:				
Personal Services	39,848	39,848	3,105	36,743
Other	48,370	49,370	47,329	2,041
Capital Outlay	33,511	33,511	30,491	3,020
<i>Total Expenditures</i>	<u>121,729</u>	<u>122,729</u>	<u>80,925</u>	<u>41,804</u>
<i>Net Change in Fund Balance</i>	48,271	47,271	87,450	40,179
<i>Fund Balance Beginning of Year</i>	179,210	179,210	179,210	0
Prior Year Encumbrances Appropriated	13,881	13,881	13,881	0
<i>Fund Balance End of Year</i>	<u>\$241,362</u>	<u>\$240,362</u>	<u>\$280,541</u>	<u>\$40,179</u>

**City of Middleburg Heights, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*FEMA Grant Fund*  
*For the Year Ended December 31, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Intergovernmental	\$31,125	\$29,551	\$31,033	\$1,482
Interest			6	6
<i>Total Revenues</i>	<u>31,125</u>	<u>29,551</u>	<u>31,039</u>	<u>1,488</u>
<b>Expenditures</b>				
Current:				
Capital Outlay:				
Capital Outlay	<u>31,125</u>	<u>80,152</u>	<u>80,133</u>	<u>19</u>
Total Capital Outlay	<u>31,125</u>	<u>80,152</u>	<u>80,133</u>	<u>19</u>
<i>Total Expenditures</i>	<u>31,125</u>	<u>80,152</u>	<u>80,133</u>	<u>19</u>
<i>Excess of Revenues Under Expenditures</i>	<u>0</u>	<u>(50,601)</u>	<u>(49,094)</u>	<u>1,507</u>
<b>Other Financing Use</b>				
Advances In	<u>0</u>	<u>50,601</u>	<u>50,601</u>	<u>0</u>
<i>Total Other Financing Sources</i>	<u>0</u>	<u>50,601</u>	<u>50,601</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>0</u>	<u>0</u>	<u>1,507</u>	<u>1,507</u>
<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>\$0</u>	<u>\$0</u>	<u>\$1,507</u>	<u>\$1,507</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, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$132,324	\$132,324	\$139,327	\$7,003
Intergovernmental	14,910	14,910	14,475	(435)
<i>Total Revenues</i>	<u>147,234</u>	<u>147,234</u>	<u>153,802</u>	<u>6,568</u>
<b>Expenditures</b>				
Current:				
Public Safety:				
Personal Services	145,000	145,000	145,000	0
Other	100	100	73	27
<i>Total Expenditures</i>	<u>145,100</u>	<u>145,100</u>	<u>145,073</u>	<u>27</u>
<i>Net Change in Fund Balance</i>	2,134	2,134	8,729	6,595
<i>Fund Balance Beginning of Year</i>	<u>22,217</u>	<u>22,217</u>	<u>22,217</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$24,351</u>	<u>\$24,351</u>	<u>\$30,946</u>	<u>\$6,595</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, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$132,324	\$132,324	\$139,327	\$7,003
Intergovernmental	14,910	14,910	14,475	(435)
<i>Total Revenues</i>	<u>147,234</u>	<u>147,234</u>	<u>153,802</u>	<u>6,568</u>
<b>Expenditures</b>				
Current:				
Public Safety:				
Personal Services	145,000	145,000	145,000	0
Other	100	100	73	27
<i>Total Expenditures</i>	<u>145,100</u>	<u>145,100</u>	<u>145,073</u>	<u>27</u>
<i>Net Change in Fund Balance</i>	2,134	2,134	8,729	6,595
<i>Fund Balance Beginning of Year</i>	<u>22,217</u>	<u>22,217</u>	<u>22,217</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$24,351</u>	<u>\$24,351</u>	<u>\$30,946</u>	<u>\$6,595</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, 2018*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Charges for Services	<u>\$500</u>	<u>\$500</u>	<u>\$700</u>	<u>\$200</u>
<b>Expenditures</b>				
Current:				
General Government:				
Other	<u>10,500</u>	<u>10,500</u>	<u>0</u>	<u>10,500</u>
<i>Net Change in Fund Balance</i>	<u>(10,000)</u>	<u>(10,000)</u>	<u>700</u>	<u>10,700</u>
<i>Fund Balance Beginning of Year</i>	<u>12,693</u>	<u>12,693</u>	<u>12,693</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,693</u></u>	<u><u>\$2,693</u></u>	<u><u>\$13,393</u></u>	<u><u>\$10,700</u></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, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest	\$0	\$0	\$6	\$6
<i>Total Revenues</i>	<u>0</u>	<u>0</u>	<u>6</u>	<u>6</u>
<b>Expenditures</b>				
Current:				
General Government:				
Other	7,100	7,100	0	7,100
<i>Net Change in Fund Balance</i>	(7,100)	(7,100)	6	7,106
<i>Fund Balance Beginning of Year</i>	7,115	7,115	7,115	0
<i>Fund Balance End of Year</i>	<u>\$15</u>	<u>\$15</u>	<u>\$7,121</u>	<u>\$7,106</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, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$164,333	\$172,543	\$172,543	\$0
Intergovernmental	12,770	12,392	12,392	0
<i>Total Revenues</i>	<u>177,103</u>	<u>184,935</u>	<u>184,935</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Public Health and Welfare:				
Other	176,647	185,317	185,317	0
<i>Net Change in Fund Balance</i>	456	(382)	(382)	0
<i>Fund Balance Beginning of Year</i>	<u>382</u>	<u>382</u>	<u>382</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$838</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

**City of Middleburg Heights, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Health Insurance Fund*  
*For the Year Ended December 31, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Charges for Services	\$3,273,400	\$3,273,400	\$3,150,264	(\$123,136)
<i>Total Revenues</i>	<u>3,273,400</u>	<u>3,273,400</u>	<u>3,150,264</u>	<u>(123,136)</u>
<b>Expenditures</b>				
General Government:				
Other	3,445,000	3,445,000	3,057,073	387,927
<i>Net Change in Fund Balance</i>	(171,600)	(171,600)	93,191	264,791
<i>Fund Balance Beginning of Year</i>	<u>1,324,957</u>	<u>1,324,957</u>	<u>1,324,957</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,153,357</u>	<u>\$1,153,357</u>	<u>\$1,418,148</u>	<u>\$264,791</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.

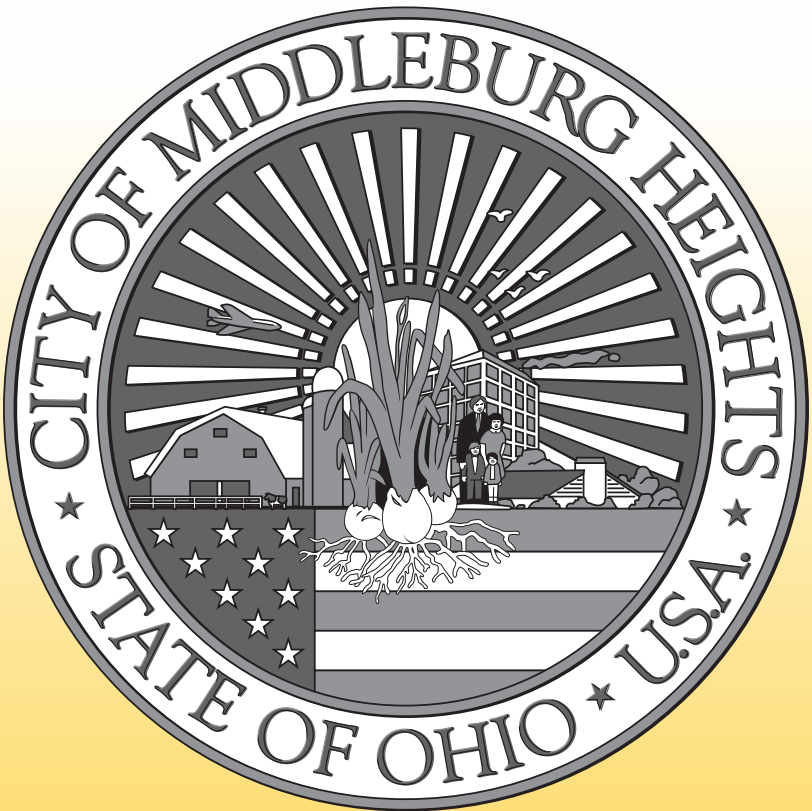
***Board of Building Standard Fee Fund*** To account for state building fees collected from builders and disbursed to the State Board of Building Standards.

***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, 2018*

	Ending Balance 12/31/17	Additions	Deductions	Ending Balance 12/31/18
<b><i>Flexible Spending Account</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$18,704	\$73,800	\$78,336	\$14,168
<b>Liabilities</b>				
Deposits Held and Due to Others	\$18,704	\$73,800	\$78,336	\$14,168
<b><i>Board of Buildings Standards Fee</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$3,820	\$11,928	\$15,705	\$43
<b>Liabilities</b>				
Deposits Held and Due to Others	\$3,820	\$11,928	\$15,705	\$43
<b><i>Mayor's Court</i></b>				
<b>Assets</b>				
Cash in Segregated Accounts	\$36,803	\$443,730	\$449,771	\$30,762
<b>Liabilities</b>				
Deposits Held and Due to Others	\$36,803	\$443,730	\$449,771	\$30,762
<b><i>Deposits</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$142,554	\$117,778	\$121,882	\$138,450
<b>Liabilities</b>				
Deposits Held and Due to Others	\$142,554	\$117,778	\$121,882	\$138,450
<b><i>Total - All Agency Funds</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$165,078	\$203,506	\$215,923	\$152,661
Cash in Segregated Accounts	36,803	443,730	449,771	30,762
Total Assets	\$201,881	\$647,236	\$665,694	\$183,423
<b>Liabilities</b>				
Deposits Held and Due to Others	\$201,881	\$647,236	\$665,694	\$183,423



# STATISTICAL

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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>	113
<i>Changes in Net Position-Last Ten Years.....</i>	114
<i>Fund Balances, Governmental Funds- Last Ten Years.....</i>	116
<i>Changes in Fund Balances, Governmental Funds-Last Ten Years.....</i>	118

**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>	120
<i>Income Tax Revenue Base and Collections-Last Ten Years.....</i>	121
<i>Principal Taxpayers-Current Year and Nine Years Ago.....</i>	122
<i>Property Tax Rates-All Direct and Overlapping Governments.....</i>	123
<i>Assessed and Estimated Actual Value of Taxable Property-Last Ten Years.....</i>	124
<i>Property Tax Levies and Collections-Real and Public Utility Taxes-Last Ten Years.....</i>	125

**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>	126
<i>Computation of Direct and Overlapping Debt.....</i>	128

**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>	129
<i>Principal Employers-Current Year and Nine Years Ago.....</i>	130

**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>	131
<i>Operating Indicators by Function/Program-Last Ten Years.....</i>	132
<i>Capital Asset Statistics by Function/Program-Last Ten Years.....</i>	134

**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)*

	2018	Restated 2017 (4)	Restated 2016 (3)	Restated 2015 (2)	Restated 2014 (1)	2013	2012	2011	2010	2009
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$62,788,000	\$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
Restricted for:										
Capital Projects	269,821	298,631	1,456,572	1,818,359	2,943,829	5,177,947	989,661	1,020,901	1,105,143	849,193
Debt Service	2,604,760	970,747	1,148,569	1,293,262	1,465,640	1,588,993	1,548,018	1,988,524	2,824,066	2,870,466
Other Purposes	2,211,483	1,821,842	1,605,793	418,789	447,659	448,796	409,375	452,608	482,196	492,426
Unrestricted	<u>(33,366,764)</u>	<u>(33,791,249)</u>	<u>(12,177,620)</u>	<u>(10,862,005)</u>	<u>(11,130,064)</u>	<u>5,012,054</u>	<u>6,692,960</u>	<u>6,006,694</u>	<u>5,344,333</u>	<u>5,796,309</u>
Total Net Position	<u>\$34,507,300</u>	<u>\$32,471,317</u>	<u>\$49,296,120</u>	<u>\$46,687,440</u>	<u>\$43,151,695</u>	<u>\$61,041,368</u>	<u>\$58,814,724</u>	<u>\$56,814,522</u>	<u>\$55,092,564</u>	<u>\$53,679,213</u>

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

(2) Restatement related to Capital Assets in fiscal year 2017.

(3) Restatement related to unclaimed monies in fiscal year 2017.

(4) Restatement related to implementation of GASB 75 and change in long-term obligations. See Note 3.

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

	2018	2017	Restated 2016	Restated 2015	2014	2013	2012	2011	2010	2009
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
Security of Persons and Property:										
Police	\$408,768	\$426,669	\$459,238	\$527,687	\$630,532	\$671,898	\$664,237	\$684,320	\$620,746	\$642,294
Fire	632,478	611,968	626,497	621,758	545,110	530,050	503,394	512,706	462,126	434,991
Public Health and Welfare	6,030	9,284	9,719	14,416	20,441	22,075	25,508	23,924	22,980	16,515
Culture and Recreation	1,424,416	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
Community Development	544,074	405,891	218,136	355,833	155,356	819,185	409,400	233,664	144,288	185,671
Economic Development	5,159	4,168	5,299	5,024	4,991	6,443	4,784	4,275	5,768	3,000
Streets and Highways	20,709	5,100	8,245	7,361	11,687	11,854	10,017	8,058	18,482	10,875
General Government	203,267	189,750	206,015	204,888	191,457	181,832	212,840	178,816	176,929	165,561
Operating Grants and Contributions	897,072	863,898	841,685	861,227	832,490	929,590	848,150	842,714	862,290	849,270
Capital Grants and Contributions	2,151,304	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
<b>Total Governmental Activities Program Revenues</b>	<b>6,293,277</b>	<b>7,549,811</b>	<b>7,078,443</b>	<b>7,804,632</b>	<b>4,020,420</b>	<b>5,325,084</b>	<b>5,261,248</b>	<b>5,021,056</b>	<b>4,708,805</b>	<b>10,744,043</b>
<b>Expenses</b>										
Governmental Activities:										
Security of Persons and Property:										
Police	6,273,941	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
Fire	5,132,916	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
Safety Director	40,999	65,336	76,087	69,035	68,014	64,010	61,957	58,909	59,728	57,850
Public Health and Welfare	269,917	268,837	265,118	299,048	310,506	311,680	307,505	330,767	362,515	339,612
Culture and Recreation	4,249,189	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
Community Development	940,128	951,924	836,514	765,089	702,208	603,864	555,959	534,590	552,358	579,608
Economic Development	373,206	374,547	355,895	329,441	328,977	402,294	326,237	305,201	325,270	286,350
Streets and Highways	3,682,770	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
Sanitation	1,074,595	968,468	972,643	974,028	1,135,741	1,080,775	1,075,455	1,091,845	933,094	948,225
General Government	9,293,223	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
Interest and Fiscal Charges	283,304	305,050	303,708	351,198	401,271	520,272	511,361	457,423	527,452	580,827
<b>Total Governmental Activities Expenses</b>	<b>31,614,188</b>	<b>31,430,039</b>	<b>28,755,519</b>	<b>27,212,445</b>	<b>26,984,334</b>	<b>25,843,357</b>	<b>24,898,577</b>	<b>24,648,682</b>	<b>25,098,417</b>	<b>24,950,129</b>

**Net (Expense)/Revenue**

## Governmental Activities:

## Security of Persons and Property:

Police	(5,865,173)	(5,294,623)	(5,210,370)	(4,856,904)	(4,855,344)	(4,392,609)	(4,317,115)	(4,234,952)	(4,522,123)	(4,164,093)
Fire	(4,500,438)	(4,052,428)	(4,042,914)	(3,810,736)	(3,639,924)	(3,286,609)	(3,402,506)	(3,284,507)	(3,261,335)	(3,258,223)
Safety Director	(40,999)	(65,336)	(76,087)	(69,035)	(68,014)	(64,010)	(61,957)	(58,909)	(59,728)	(57,850)
Public Health and Welfare	(263,887)	(259,553)	(255,399)	(284,632)	(290,065)	(289,605)	(281,997)	(306,843)	(339,535)	(323,097)
Culture and Recreation	(2,824,773)	(2,839,404)	(2,004,398)	(1,815,110)	(1,926,131)	(1,748,920)	(1,848,570)	(1,932,865)	(2,025,963)	(2,103,355)
Community Development	(396,054)	(546,033)	(618,378)	(409,256)	(546,852)	215,321	(146,559)	(300,926)	(408,070)	(393,937)
Economic Development	(368,047)	(370,379)	(350,596)	(324,417)	(323,986)	(395,851)	(321,453)	(300,926)	(319,502)	(283,350)
Streets and Highways	(613,685)	(174,938)	440,728	1,345,315	(1,859,414)	(1,712,088)	(586,190)	(650,532)	(1,080,601)	5,062,618
Sanitation	(1,074,595)	(968,468)	(972,643)	(974,028)	(1,135,741)	(1,080,775)	(1,075,455)	(1,091,845)	(933,094)	(948,225)
General Government	(9,089,956)	(9,004,016)	(8,283,311)	(7,857,812)	(7,917,352)	(7,242,855)	(7,084,166)	(7,007,898)	(6,912,209)	(7,155,747)
Interest and Fiscal Charges	(283,304)	(305,050)	(303,708)	(351,198)	(401,271)	(520,272)	(511,361)	(457,423)	(527,452)	(580,827)

*Total Net Expense*

	<u>(25,320,911)</u>	<u>(23,880,228)</u>	<u>(21,677,076)</u>	<u>(19,407,813)</u>	<u>(22,964,094)</u>	<u>(20,518,273)</u>	<u>(19,637,329)</u>	<u>(19,627,626)</u>	<u>(20,389,612)</u>	<u>(14,206,086)</u>
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**General Revenues**

## Property and Other Local Taxes Levied for:

General Purposes	2,222,016	2,212,335	1,891,298	2,204,366	2,094,374	2,114,690	2,094,556	2,122,527	1,946,835	1,983,876
Debt Service	221,303	235,258	215,852	231,105	217,719	221,713	224,823	238,448	418,706	447,616
Police and Fire Pension	278,988	282,308	259,010	277,340	261,260	266,058	269,788	286,136	291,830	298,410
Public Health and Welfare	172,745	176,370	160,237	166,882	154,181	157,862	149,000	159,755	160,477	156,133

## Income Tax Levied for:

General Purposes	16,085,525	14,868,339	16,464,919	14,425,342	14,158,040	14,167,574	13,806,366	13,529,681	11,350,197	11,039,967
Debt Service	728,515	1,076,575	1,250,267	1,402,720	1,484,869	1,150,763	1,103,726	1,097,026	1,679,911	1,520,127
Recreation	2,088,749	1,856,905	1,544,602	1,420,297	1,307,047	1,277,539	1,400,216	1,569,497	1,690,513	1,591,301
Capital Outlay	1,582,017	1,464,539	1,183,589	1,312,163	1,408,310	1,678,133	1,071,646	608,868	1,591,385	1,520,723

## Grants and Entitlements not Restricted to

Specific Programs	521,082	433,622	771,867	712,325	593,138	959,520	953,727	1,341,682	2,244,208	3,552,070
Investment Earnings	150,016	78,382	60,917	51,625	80,535	(12,318)	69,863	74,330	62,294	97,034
Miscellaneous	3,305,938	980,681	483,198	739,393	652,772	763,383	493,820	321,634	366,607	405,359

*Total General Revenues*

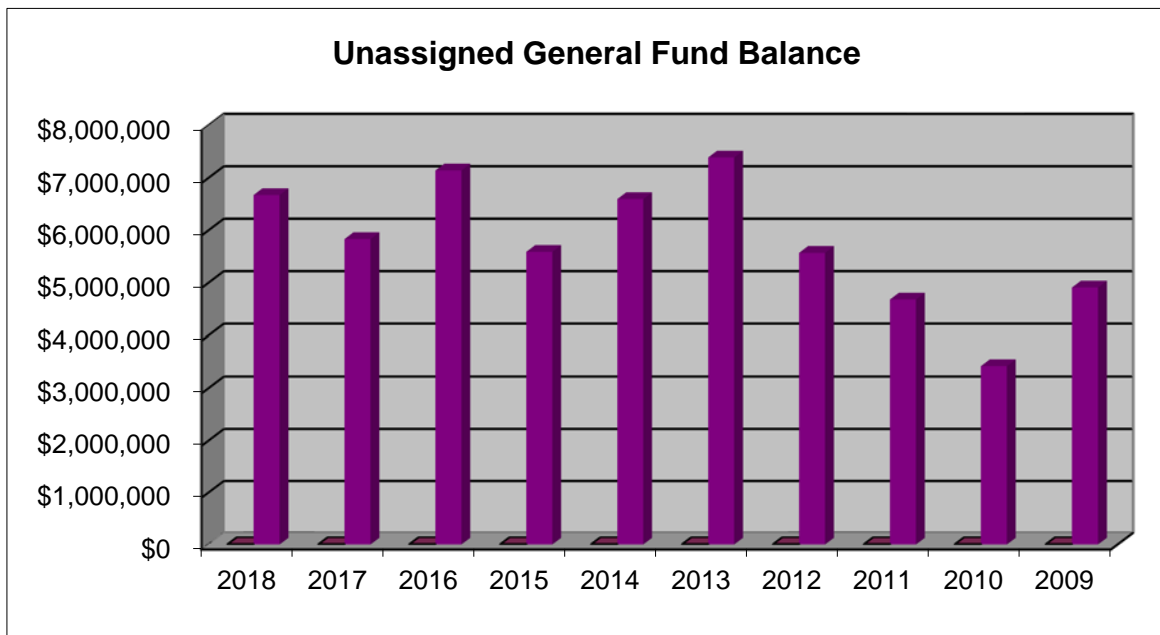
	<u>27,356,894</u>	<u>23,665,314</u>	<u>24,285,756</u>	<u>22,943,558</u>	<u>22,412,245</u>	<u>22,744,917</u>	<u>21,637,531</u>	<u>21,349,584</u>	<u>21,802,963</u>	<u>22,612,616</u>
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**Change in Net Position**

	<u>\$2,035,983</u>	<u>(\$214,914)</u>	<u>\$2,608,680</u>	<u>\$3,535,745</u>	<u>(\$551,849)</u>	<u>\$2,226,644</u>	<u>\$2,000,202</u>	<u>\$1,721,958</u>	<u>\$1,413,351</u>	<u>\$8,406,530</u>
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**City of Middleburg Heights, Ohio**  
**Fund Balances, Governmental Funds**  
**Last Ten Years**  
*(modified accrual basis of accounting)*

	2018	2017	<i>Restated</i> 2016	2015
<b>General Fund</b>				
Nonspendable	\$352,039	\$238,434	\$340,009	\$230,977
Assigned	345,074	994,245	305,282	399,133
Unassigned	6,676,456	5,832,320	7,142,347	5,592,477
<i>Total General Fund</i>	<i>7,373,569</i>	<i>7,064,999</i>	<i>7,787,638</i>	<i>6,222,587</i>
<b>All Other Governmental Funds</b>				
Nonspendable	258,891	165,190	273,410	326,191
Restricted	1,729,717	1,935,765	1,784,819	1,435,364
Committed	559,216	486,670	1,520,206	1,935,024
Unassigned	(119,062)	(2,240,935)	(2,175,920)	0
<i>Total All Other Governmental Funds</i>	<i>2,428,762</i>	<i>346,690</i>	<i>1,402,515</i>	<i>3,696,579</i>
<i>Total Governmental Funds</i>	<i>\$9,802,331</i>	<i>\$7,411,689</i>	<i>\$9,190,153</i>	<i>\$9,919,166</i>



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

2014	2013	2012	2011	2010	2009
\$294,315	\$231,762	\$171,906	\$123,363	\$122,612	\$138,642
291,201	336,772	415,065	266,188	246,735	271,315
6,598,310	7,392,204	5,573,277	4,684,103	3,424,467	4,911,804
7,183,826	7,960,738	6,160,248	5,073,654	3,793,814	5,321,761
331,445	191,522	249,040	208,718	263,459	277,412
1,689,335	1,914,948	1,744,505	1,930,548	2,519,190	2,446,356
2,937,584	5,425,408	937,834	1,230,419	1,461,609	1,009,860
0	0	0	0	0	0
4,958,364	7,531,878	2,931,379	3,369,685	4,244,258	3,733,628
\$12,142,190	\$15,492,616	\$9,091,627	\$8,443,339	\$8,038,072	\$9,055,389

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)**

	2018	2017	2016	2015
<b>Revenues</b>			<i>Restated</i>	
Property Taxes	\$2,239,337	\$2,246,905	\$2,167,136	\$2,128,945
Income Taxes	20,451,474	19,255,355	20,586,071	18,710,308
Other Local Taxes	664,827	636,071	649,151	656,038
Intergovernmental	1,938,462	1,891,480	1,427,483	1,534,724
Special Assessments	155,181	189,301	155,858	151,447
Interest	150,016	78,382	60,917	51,625
Fines, Licenses and Permits	1,135,200	1,010,744	871,055	1,077,772
Charges for Services	2,036,858	2,009,978	2,174,446	2,042,336
Other	840,404	931,879	452,500	725,367
<b>Total Revenues</b>	<b>29,611,759</b>	<b>28,250,095</b>	<b>28,544,617</b>	<b>27,078,562</b>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	9,665,115	9,423,855	9,065,650	9,406,505
Public Health and Welfare	269,917	268,837	265,118	298,647
Culture and Recreation	3,503,465	3,291,227	2,902,906	2,883,957
Community Development	865,666	836,562	794,295	774,287
Economic Development	357,388	347,065	346,598	331,473
Streets and Highways	1,829,253	2,022,054	1,870,612	2,063,160
Sanitation	1,074,595	968,468	972,643	974,028
General Government	8,072,624	7,777,272	7,653,896	7,765,338
Capital Outlay	2,123,456	3,365,276	3,659,361	3,030,327
Debt Service:				
Principal Retirement	1,438,875	1,442,195	1,500,583	1,632,609
Interest and Fiscal Charges	261,104	288,484	287,238	335,018
Bond Issuance Costs				
<b>Total Expenditures</b>	<b>29,461,458</b>	<b>30,031,295</b>	<b>29,318,900</b>	<b>29,495,349</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	<b>150,301</b>	<b>(1,781,200)</b>	<b>(774,283)</b>	<b>(2,416,787)</b>
<b>Other Financing Sources (Uses)</b>				
General Obligation Bonds Issued	2,200,000			
Refunding Bonds Issued				
Premium on Debt Issuance	28,756		43,195	
Payment to Refunded Bond Escrow Agent				
Sale of Capital Assets	11,585	2,736	2,075	14,046
Inception of Capital Lease				179,717
Loan Proceeds				
Transfers In	1,104,143	1,100,000	1,100,000	950,000
Transfers Out	(1,104,143)	(1,100,000)	(1,100,000)	(950,000)
<b>Total Other Financing Sources (Uses)</b>	<b>2,240,341</b>	<b>2,736</b>	<b>45,270</b>	<b>193,763</b>
<b>Net Change in Fund Balances</b>	<b>\$2,390,642</b>	<b>(\$1,778,464)</b>	<b>(\$729,013)</b>	<b>(\$2,223,024)</b>
 Debt Service as a percentage of noncapital expenditures	 6.36%	 7.49%	 7.76%	 9.86%

2014	2013	2012	2011	2010	2009
\$2,097,879	\$2,140,815	\$2,217,751	\$2,299,773	\$2,244,665	\$2,398,978
18,412,558	18,214,580	17,287,724	16,726,038	16,184,484	15,810,195
635,656	629,209	588,245	524,929	514,964	494,692
1,421,965	1,949,745	1,799,116	2,544,924	2,878,977	4,452,591
173,538	186,528	189,768	215,663	218,592	155,908
80,535	(12,318)	69,863	74,330	62,294	158,609
967,832	1,647,011	1,255,426	1,076,206	899,685	970,642
1,963,858	1,979,092	1,938,131	1,785,024	1,762,696	1,677,224
671,816	814,859	508,892	337,743	368,072	407,770
26,425,637	27,549,521	25,854,916	25,584,630	25,134,429	26,526,609
9,248,436	8,543,082	8,538,832	8,395,875	8,736,581	8,049,713
310,506	311,680	307,505	330,767	362,515	338,927
2,826,499	2,729,357	2,742,285	2,771,542	2,844,270	2,800,812
684,122	592,322	546,761	532,084	544,812	597,099
323,845	395,327	323,904	304,620	321,510	280,958
1,794,482	1,607,261	1,671,530	1,691,980	1,758,271	1,563,244
1,135,741	1,080,775	1,075,455	1,091,845	933,094	948,225
7,391,588	6,829,343	6,692,911	6,620,502	6,771,287	6,765,399
4,122,536	3,404,849	1,324,813	1,494,121	2,131,384	2,144,886
1,573,272	1,302,122	1,647,732	1,988,289	1,973,229	1,925,422
385,190	367,352	335,900	408,146	477,982	531,253
	118,745				
29,796,217	27,282,215	25,207,628	25,629,771	26,854,935	25,945,938
(3,370,580)	267,306	647,288	(45,141)	(1,720,506)	580,671
	5,860,000				
	263,033				
20,054	10,650	1,000	303,539	1,807	800
				143,700	195,989
			146,869	607,682	
850,000	805,528	925,000	850,000	2,118,585	850,000
(850,000)	(805,528)	(925,000)	(850,000)	(2,118,585)	(850,000)
20,054	6,133,683	1,000	450,408	753,189	196,789
(\$3,350,526)	\$6,400,989	\$648,288	\$405,267	(\$967,317)	\$777,460
14.43%	6.91%	7.94%	9.39%	9.31%	12.55%

**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
2018	\$2,239,337	\$20,451,474	\$664,827	\$23,355,638
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



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

<b>Tax Year</b>	<b>Tax Rate</b>	<b>Total Tax Collected</b>	<b>Taxes from Withholding</b>	<b>Percentage of Taxes from Withholding</b>	<b>Taxes from Individuals</b>	<b>Percentage of Taxes from Individuals</b>	<b>Taxes from Net Profits</b>	<b>Percentage of Taxes from Net Profits</b>
2018	2.00%	\$20,204,584	\$16,893,208	83.6%	\$1,090,527	5.4%	\$2,220,849	11.0%
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%

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:

<b>2018</b>		
	<b>Rank</b>	
	1	Southwest General Hospital
	2	United Parcel Service
	3	Quadax Inc.
	4	Zin Technologies
	5	SW General Med Group
	6	Amerimark Direct LLC.
	7	Berea City School District
	8	Brewer Garrett Co.
	9	University Hospitals Health System
	10	City of Middleburg Heights

<b>2009</b>		
<b>2018 Rank</b>	<b>Rank</b>	<b>Taxpayer</b>
1	1	Southwest General Hospital
2	2	United Parcel Service
6	3	Amerimark Direct LLC
3	4	Quadax, Inc.
10	5	City of Middleburg Heights
7	6	Berea City School District
13	7	Codonics Inc.
17	8	Polaris Joint Vocational School
4	9	Zin Technologies Inc.
20	10	Nova Machine Products 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 School District		Cuyahoga County (1)	Total
	General Fund	Debt Service Fund	Police Pension Fund	Fire Pension Fund	Southwest Community Hospital	Total				
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
2018/2019	3.75	0.10	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 Value To Total Estimated Actual Value	Total Direct Tax Rate Mills
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2009/2010	\$520,228,840	\$1,486,368,114	\$0	\$0	\$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
2018/2019	533,431,700	1,524,090,571			24,165,970	27,461,330	557,597,670	1,551,551,901	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***

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<b>Tax Year/ Collection Year</b>	<b>Current Levy (1)</b>	<b>Current Collections</b>	<b>Percent of Current Levy Collected</b>	<b>Collection Including Delinquencies (1)</b>	<b>Total Collections As Percent of Current Levy</b>	<b>Accumulated Delinquency</b>
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
2017/2018	2,471,220	2,373,528	96.0	2,465,286	99.7	134,773

(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**

	2018	2017	2016
General Obligation Bonds	\$4,867,222	\$6,128,300	\$7,409,378
Percent of estimated actual property value	0.31%	0.43%	0.53%
Per Capita	\$305.23	\$384.32	\$464.65
Special Assessment Bonds	2,301,080	205,178	324,288
Bond Anticipation Notes			
OPWC Loans	653,908	694,777	735,647
Capital Leases	36,657	72,586	107,801
Total Gross Indebtedness	7,858,867	7,100,841	8,577,114
Percentage of Personal Income	1.63%	1.47%	1.78%
Per Capita	\$492.84	\$445.31	\$537.88
Less:			
Special Assessment Bonds	(2,301,080)	(205,178)	(324,288)
Community & Service Center Refunding Bonds		(930,000)	(1,890,000)
Community Center Bonds			
Service Center Bonds			
OPWC Loans	(653,908)	(694,777)	(735,647)
Capital Leases	(36,657)	(72,586)	(107,801)
Bond Retirement Fund Balance	(302,263)	(681,274)	(728,872)
Total Net Debt Applicable to Debt Limit	4,564,959	4,517,026	4,790,506
Overall Legal Debt Limit			
10 1/2% of Assessed Valuation	58,547,755	53,645,789	52,599,010
Legal Debt Margin Within 10 1/2% Limitations	\$53,982,796	\$49,128,763	\$47,808,504
Legal Debt Margin as a Percentage of the Debt Limit	92.20%	91.58%	90.89%
Unvoted Debt Limitation			
5 1/2% of Assessed Valuation	\$30,667,872	\$28,100,175	\$27,551,862
Net Unvoted Indebtedness Authorized by Council	7,858,867	7,100,841	8,577,114
Less:			
Special Assessment Bonds	(208,178)	(205,178)	(324,288)
Community & Service Center Refunding Bonds		(930,000)	(1,890,000)
Community Center Bonds			
Service Center Bonds			
OPWC Loans	(653,908)	(694,778)	(735,647)
Capital Leases	(36,657)	(72,586)	(107,801)
General Obligation Bond Retirement Fund Balance	(302,263)	(681,274)	(728,872)
Net Debt Within 5 1/2% Limitations	6,657,861	4,517,025	4,790,506
Unvoted Legal Debt Margin Within 5 1/2% Limitations	\$24,010,011	\$23,583,150	\$22,761,356
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	78.29%	83.93%	82.61%

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

2015	2014	2013	2012	2011	2010	2009
\$8,735,456	\$10,201,534	\$11,652,612	\$6,565,000	\$7,985,153	\$9,730,327	\$11,456,736
0.60%	0.70%	0.82%	0.46%	0.53%	0.65%	0.76%
\$547.81	\$639.76	\$730.75	\$411.70	\$500.76	\$610.20	\$737.15
454,486	573,824	697,350	815,110	947,096	1,098,379	1,227,784
					335,000	500,000
776,517	817,387	800,567	754,551	754,551	607,682	
142,316		29,746	99,107	194,701	286,533	260,247
10,108,775	11,592,745	13,180,275	8,233,768	9,881,501	12,057,921	13,444,767
2.10%	2.41%	2.74%	1.71%	2.05%	2.50%	3.43%
\$633.94	\$727.00	\$826.56	\$516.35	\$619.69	\$756.17	\$865.06
(454,486)	(573,824)	(697,350)	(815,110)	(947,096)	(1,098,379)	(1,227,784)
(2,900,000)	(4,055,000)	(5,195,000)	(6,285,000)	(7,685,000)	(9,205,000)	(10,565,000)
(776,517)	(817,387)	(800,567)	(754,551)	(754,551)	(607,682)	
(142,316)		(29,746)	(99,107)	(194,701)	(286,533)	(260,247)
(715,630)	(746,425)	(732,000)	(615,483)	(907,696)	(1,586,109)	(739,402)
5,119,826	5,400,109	5,725,612	(335,483)	300,153	(725,782)	652,334
54,340,017	54,798,148	53,096,574	52,718,541	55,752,546	55,675,750	55,751,704
\$49,220,191	\$49,398,039	\$47,370,962	\$53,054,024	\$55,452,393	\$56,401,532	\$55,099,370
90.58%	90.15%	89.22%	100.64%	99.46%	101.30%	98.83%
\$28,463,818	\$28,703,792	\$27,812,491	\$27,614,474	\$29,203,715	\$29,163,488	\$29,203,274
10,108,775	11,592,745	13,180,275	8,233,768	9,881,501	12,057,921	13,444,767
(454,486)	(573,824)	(697,350)	(815,110)	(947,096)	(1,098,379)	(1,227,784)
(2,900,000)	(4,055,000)	(5,195,000)	(6,285,000)	(7,685,000)	(9,205,000)	(10,565,000)
(776,517)	(817,387)	(800,567)	(754,551)	(754,551)	(607,682)	
(142,316)		(29,746)	(99,107)	(194,701)	(286,533)	(260,247)
(715,630)	(746,425)	(732,000)	(615,483)	(194,701)	(1,586,109)	(739,402)
5,119,826	5,400,109	5,725,612	(335,483)	105,452	(725,782)	652,334
\$23,343,992	\$23,303,683	\$22,086,879	\$27,949,957	\$29,098,263	\$29,889,270	\$28,550,940
82.01%	81.19%	79.41%	101.21%	99.64%	102.49%	97.77%

**City of Middleburg Heights, Ohio**  
**Computation of Direct and Overlapping Debt**  
**December 31, 2018**

<b>Jurisdiction</b>	<b>Debt Outstanding</b>	<b>Percentage Applicable To City of Middleburg Heights ( c )</b>	<b>Amount Applicable To City of Middleburg Heights</b>
<b>Direct:</b>			
General Obligation Bonds	\$ 4,867,222 (a)	100.00%	\$ 4,867,222
Special Assessment Bonds	2,301,080 (a)	100.00%	2,301,080
Capital Leases	36,657 (a)	100.00%	36,657
Loans Payable	653,908 (a)	100.00%	653,908
Total Direct Debt	<u>\$ 7,858,867</u>		<u>\$ 7,858,867</u>
<b>Overlapping:</b>			
Berea School District	\$109,890,000 (b)	26.57%	\$29,200,505
Cuyahoga County	188,010,000 (b)	2.02%	3,795,066
Greater Cleveland Regional Transit	212,260,000 (b)	2.02%	4,284,563
Total Overlapping Debt	<u>\$ 510,160,000</u>		<u>\$ 37,280,134</u>
<b>Total Direct and Overlapping</b>	<u><u>\$ 518,018,867</u></u>		<u><u>\$ 45,139,001</u></u>

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

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

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



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

Year	Population (1)		Total Personal Income (2)	Per Capita Personal Income (1)		Median Household Income (1)		Unemployment Rate (3)
2018	15,946	b	\$481,792,444	\$30,214	b	\$66,337	b	4.5%
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%

(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**

<b>2018</b>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Southwest General Hospital	2,665	14.03%
United Parcel Service, Inc.	2,103	11.07%
Quadax, Inc.	688	3.62%
Sunnyside Automotive, Inc.	635	3.34%
Amerimark Direct, LLC	590	3.11%
Berea City School District	450	2.37%
City of Middleburg Heights	447	2.35%
University Hospitals Health System	377	1.98%
Zin Technologies, Inc.	303	1.59%
Polaris Career Center	222	1.17%
Total	<u>8,480</u>	<u>44.63%</u>
Total City Employment	<u>18,999</u>	

<b>2009</b>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of</u>
Southwest General Hospital	2,695	15.77%
United Parcel Service	1,862	10.90%
Amerimark Direct LLC	555	3.25%
Middleburg-Legacy Place LLC	517	3.03%
City of Middleburg Heights	426	2.49%
Quadax, Inc.	410	2.40%
Sears Roebuck & Company	402	2.35%
Polaris Joint Vocational	301	1.76%
Berea City School District	273	1.60%
Giant Eagle	257	1.50%
Total	<u>7,698</u>	<u>45.05%</u>
Total City Employment	<u>17,088</u>	

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

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

	<u>2018</u>	<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>
<b>Function/Program</b>										
<b>General Government:</b>										
Council	2	2	2	2	2	2	2	2	2	2
Finance	4	4	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	3	4	4	4
Public Service	29	29	33	33	34	34	34	34	34	34
<b>Community Development:</b>										
Planning & Zoning	1	1	1	1	1	1	1	1	1	1
Building	6	6	5	5	5	4	4	4	4	4
<b>Economic Development:</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Public Safety:</b>										
Police	39	36	37	38	38	38	38	38	41	38
Fire	27	27	26	27	27	27	27	27	27	27
<b>Culture and Recreation:</b>										
Programs	2	2	2	2	2	2	2	2	2	2
Recreation Center	12	12	9	9	9	9	9	9	9	11
<b>Streets and Highways:</b>										
Street Department	9	9	10	10	10	10	10	10	10	10
<b>Totals:</b>	<u><u>139</u></u>	<u><u>136</u></u>	<u><u>138</u></u>	<u><u>140</u></u>	<u><u>141</u></u>	<u><u>140</u></u>	<u><u>140</u></u>	<u><u>141</u></u>	<u><u>144</u></u>	<u><u>143</u></u>

Source: City of Middleburg Heights, Finance Department

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

<b>Operating Indicators by Function/Program</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Fire</b>										
Emergency Responses	3,420	3,102	3,037	3,013	2,853	2,821	2,758	2,770	2,553	2,498
Ambulance runs	2,784	2,449	2,550	2,555	2,206	2,155	2,084	2,036	1,904	1,823
Fire Runs	636	653	487	458	647	666	674	734	649	675
Fire Safety Inspections/Re-Inspections	277	255	292	275	280	317	266	170	338	453
Fire Protection Systems Inspected	393	393	393	29	50	61	51	48	111	226
Building/Fire Protection Plan Received	183	217	204	198	187	156	147	139	139	138
Number of Community Program Hours	296.5	231	249	228	285.75	170	237	200	382	440
Hydrants Tested	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
<b>Public Service</b>										
Snowfall in inches <sup>1</sup>	42.1	44.8	41.7	52	83.73	58	30.8	69.5	59.8	66.7
Tons of salt used	5196	3500	3300	4,600	7,300	5,800	3,200	5,796	7,326	5,000
Asphalt used in road maintenance (tons)	755.75	755.75	543.5	548	266	267.5	155.5	351.5	317.5	447
Concrete used in road maintenance (yards)	318	329	295.5	266.5	281.5	326	345.5	286.75	458.5	210
Number of Trees removed	190	184	197	180	135	109	160	122	84	53
Number of Trees planted	64	105	133	78	124	120	201	134	198	155
Senior citizen driveway plowing participants	1109	1,120	1,131	1,138	1,146	1,104	1,119	1,155	1,127	1,112
<b>Building</b>										
Number of Permits issued by type:										
Building Permits	184	167	189	153	147	223	211	196	166	148
Electrical Permits	196	189	184	146	147	184	185	225	156	142
Plumbing Permits	140	160	138	130	102	126	105	121	92	78
HVAC Permits	183	147	158	150	134	152	133	131	125	102
Miscellaneous Permits	660	689	610	631	559	693	710	734	616	631
Inspections performed	2289	1,783	1,744	1,437	1,700	2,265	2180	1956	1,671	1,577
Estimated value of construction	\$48,083,488	\$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
Number of Plans examined	125	123	74	87	68	120	106	134	98	54
<b>Court</b>										
Number of court cases	2344	3,084	3,393	4063	5,228	4,773	5,418	5,599	5,234	5,676
Number of violations	2987	3,896	4,104	4936	6,242	5,741	6,590	6,842	6,224	6,844
Number of Transferred Cases	115	170	244	245	231	264	273	283	259	303
Number of Waivers taken at Violations Bureau (Est)	433	622	725	858	1,140	1,012	1,474	1,539	1,722	2,072
Number of Court Appearances	778	1,079	1,251	963	1,177	1,161	1,228	1,471	1,330	1,438
Number of Waivers received by Mail	247	334	517	841	1,182	1,140	1,488	1,506	1,882	2,072
Number of Waivers received online	918	1,141	1,199	1353	1,565	1,342	1,259	1083	282	n/a

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

<b>Operating Indicators by Function/Program</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Council</b>										
Number of Ordinances & resolutions	94	97	68	87	80	80	100	105	91	100
<b>Finance</b>										
Number of checks processed (excluding payroll)	3,379	3,257	3,106	3,552	3,437	3,501	3,461	3,624	3,486	3,578
Number of Purchase orders issued	3,011	2,886	4,308	3,668	3,103	3,628	3,128	3,230	3,122	3,251
Number of W-2 forms issued	447	456	447	439	445	430	440	429	434	426
City W-2 Wages (in Millions) 2	\$12.81	\$12.73	\$12.44	\$12.96	\$12.18	\$11.82	\$11.58	\$11.72	\$11.80	\$11.51
<b>Mayor's Office</b>										
Newsletters mailed (Winter and Summer issues) 3	8682	17,364	8,682	8,675	8,413	8,413	8,413	8,413	8,386	8,384
<b>Recreation</b>										
Number of Memberships	7,506	7,773	7,956	8,205	8,223	8,347	7,894	7,788	7,834	7,681
Learn to Swim enrollment	856	1,112	1,182	1,167	1,200	1,281	1,301	1,362	1,356	1,358
Enrollment in athletics programs	1,744	1,730	1,775	1,989	2,224	2,302	1,718	1,761	1,803	1,928
Number of Rental Events	1,655	1,630	1,507	1,550	1,826	3,089	3,151	2,967	2,172	1,783
Enrollment in classes, programs, and special events	15,894	17,017	17,241	18,744	18,517	17,215	19,805	14,603	13,352	10,674
<b>Law</b>										
Number of new litigations filed (traffic & criminal cases)	606	542	550	567	523	560	604	552	525	628
Number of Municipal Court cases heard and disposed	646	642	608	582	589	603	635	589	586	682
<b>Planning &amp; Zoning</b>										
Number of Planning commission agenda items	58	68	65	54	58	77	82	82	68	52
<b>Civil Service</b>										
Number of Exams given	32	32	41	58	56	42	41	57	96	97

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**

<b>Function/Program</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>General Government:</b>			
Other Departmental Vehicles	5	5	5
City Hall Square Footage	18,746	18,746	18,746
<b>Police:</b>			
Number of Stations	1	1	1
Number of Vehicles	22	22	25
Square Footage of Building	13,400	13,400	13,400
<b>Fire:</b>			
Number of Stations	1	1	1
Number of Vehicles	11	12	12
Square Footage of Building	19,730	19,730	19,730
<b>Culture and Recreation:</b>			
Number of Parks	3	3	3
Number of Vehicles	1	1	1
Recreation Center Square Footage	83,768	83,768	83,768
<b>Public Service:</b>			
Number of Vehicles	52	46	47
Service Center Square Footage	62,445	62,445	62,445
Streets (miles)	65	65	65

Source: City of Middleburg Heights, Finance Department

2015	2014	2013	2012	2011	2010	2009
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 25 13,400	1 23 13,400	1 23 13,400	1 25 13,400	1 23 13,400
1 12 19,730	1 11 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	3 1 83,768	2 2 83,768	2 2 83,768	2 1 83,768	2 1 83,768
47 62,445 65	47 62,445 65	45 62,445 65	44 62,445 65	42 62,445 65	45 62,445 65	43 62,445 65

Source: City of Middleburg Heights, Finance Department