

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2016**

UNAUDITED

Prepared by:

Finance Department

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CITY OF MAUMEE, OHIO

Management's Discussion and Analysis *For the Year Ended December 31, 2016*

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The discussion and analysis of the City of Maumee's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2016. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2016 are as follows:

- ❑ In total, net position increased \$3,174,818. Net position of governmental activities increased \$1,802,618, from 2015. Net position of business-type activities decreased \$277,704 from 2015.
- ❑ General revenues related to governmental activities accounted for \$21.6 million in revenue or 76.3% of all governmental activities revenues. Program specific revenues related to governmental activities in the form of charges for services and grants and contributions accounted for 23.7% of total governmental activities revenues of \$28 million.
- ❑ The City had \$26 million in expenses related to governmental activities; only \$6.7 million of these expenses were offset by program specific charges for services, grants or contributions.
- ❑ Among major funds, the general fund had \$18.4 million in revenues, and \$18.6 million in expenditures, including transfers out to other funds. The general fund's fund balance decreased \$201,035 to \$9,999,891 on an accrual basis.
- ❑ Net position for enterprise funds increased by \$305,858 on the fund financial statements.
- ❑ Long-Term debt, excluding compensated absences, net pension liability and the workers' comp liability, decreased by \$2,003,756 from 2015 to 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis*, the *basic financial statements*, and an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

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Government-wide Statements

The government-wide statements report information about the City as a whole using accepted methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net-position (the difference between the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources) are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as property tax base, current property tax laws, conditions of the City's infrastructure and continued business investment within the City.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's programs and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, basic utility services, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water and sewer services are reported as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are greater or fewer financial resources that can be spent in the near future to finance City activities. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

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 statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net position between 2016 and 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2015	2016
Current and other assets	\$34,430,959	\$36,337,406	\$4,494,759	\$4,550,996	\$38,925,718	\$40,888,402
Capital assets, Net	86,566,615	84,789,569	8,990,331	9,119,283	95,556,946	93,908,852
Total assets	<u>120,997,574</u>	<u>121,126,975</u>	<u>13,485,090</u>	<u>13,670,279</u>	<u>134,482,664</u>	<u>134,797,254</u>
Deferred outflows of resources	6,105,606	2,923,042	468,933	173,768	6,574,539	3,096,810
Net pension liability	17,429,369	13,356,483	1,227,427	917,467	18,656,796	14,273,950
Other long-term liabilities	23,912,426	25,945,676	969,863	1,089,745	24,882,289	27,035,421
Other liabilities	830,585	1,694,140	436,430	247,226	1,267,015	1,941,366
Total liabilities	<u>42,172,380</u>	<u>40,996,299</u>	<u>2,633,720</u>	<u>2,254,438</u>	<u>44,806,100</u>	<u>43,250,737</u>
Deferred inflows of resources	3,016,494	2,942,030	23,716	15,318	3,040,210	2,957,348
Net position:						
Net investment in capital assets	72,098,656	68,920,791	8,238,319	8,247,769	80,336,975	77,168,560
Restricted	18,879,241	19,466,385	0	0	18,879,241	19,466,385
Unrestricted (deficit)	<u>(9,063,591)</u>	<u>(8,275,488)</u>	<u>3,058,268</u>	<u>3,326,522</u>	<u>(6,005,323)</u>	<u>(4,948,966)</u>
Total net position	<u>\$81,914,306</u>	<u>\$80,111,688</u>	<u>\$11,296,587</u>	<u>\$11,574,291</u>	<u>\$93,210,893</u>	<u>\$91,685,979</u>

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

At fiscal year-end for governmental activities, capital assets represented 72% of total assets. Capital assets include land, land improvements, buildings and improvements, machinery and equipment, and vehicles. Net investment in capital assets, at December 31, 2016 was \$72,098,656. These capital assets are used to provide services to the public and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$18,879,241, represents resources that are subject to external restriction on how they may be used. Excluding the effect of implementing GASB 68, the City has approximately \$3 million in unrestricted net position which may be used to meet the City's ongoing obligations to the public and creditors.

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Changes in Net Position – The following table shows the changes in net position for the fiscal year 2016 and 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services and Sales	\$4,705,711	\$4,160,692	\$5,135,097	\$4,822,031	\$9,840,808	\$8,982,723
Operating Grants and Contributions	963,361	987,392	0	0	963,361	987,392
Capital Grants and Contributions	1,024,354	1,026,145	0	0	1,024,354	1,026,145
General Revenues:						
Property Taxes	1,405,471	1,404,154	0	0	1,405,471	1,404,154
Payments in Lieu of Taxes	2,252,913	2,243,520	0	0	2,252,913	2,243,520
Municipal Income Taxes	16,775,932	15,905,895	0	0	16,775,932	15,905,895
Grants and Entitlements not Restricted to Specific Programs	787,888	909,369	0	0	787,888	909,369
Investment Earnings	164,648	260,691	0	0	164,648	260,691
Miscellaneous	238,156	1,137,064	0	0	238,156	1,137,064
Total Revenues	<u>28,318,434</u>	<u>28,034,922</u>	<u>5,135,097</u>	<u>4,822,031</u>	<u>33,453,531</u>	<u>32,856,953</u>
Program Expenses:						
Security of Persons and Property	11,317,154	10,540,159	0	0	11,317,154	10,540,159
Public Health and Welfare Services	182,185	210,615	0	0	182,185	210,615
Leisure Time Activities	2,554,686	2,310,115	0	0	2,554,686	2,310,115
Community Environment	1,891,203	1,827,141	0	0	1,891,203	1,827,141
Basic Utility Services	1,234,371	1,159,524	0	0	1,234,371	1,159,524
Transportation	3,976,872	3,847,362	0	0	3,976,872	3,847,362
General Government	4,643,289	4,323,235	0	0	4,643,289	4,323,235
Interest and Fiscal Charges	711,056	746,214	0	0	711,056	746,214
Water	0	0	2,931,995	2,800,607	2,931,995	2,800,607
Sewer	0	0	2,485,806	1,917,163	2,485,806	1,917,163
Total Expenses	<u>26,510,816</u>	<u>24,964,365</u>	<u>5,417,801</u>	<u>4,717,770</u>	<u>31,928,617</u>	<u>29,682,135</u>
Excess (deficiency) before Transfers	1,807,618	3,070,557	(282,704)	104,261	1,524,914	3,174,818
Transfers In (Out)	(5,000)	(5,000)	5,000	5,000	0	0
Total Change in Net Position	1,802,618	3,065,557	(277,704)	109,261	1,524,914	3,174,818
Beginning Net Position, Restated	80,111,688	77,046,131	11,574,291	11,465,030	91,685,979	88,511,161
Ending Net Position	<u>\$81,914,306</u>	<u>\$80,111,688</u>	<u>\$11,296,587</u>	<u>\$11,574,291</u>	<u>\$93,210,893</u>	<u>\$91,685,979</u>

CITY OF MAUMEE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2016**

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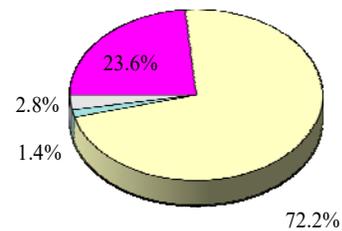
Governmental Activities

The City's governmental activities net position increased by \$1,802,618 from 2015 to 2016. The main reasons for the increase in net position for the governmental activities were the increase in Income Taxes, Hotel Occupancy Taxes, Court Fines, Dispatch Services, City Swimming Pool Fee and Building Permit Fees compared to 2015.

The City receives an income tax, which is based on 1.5% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work done or services performed or rendered in the City. Income tax revenue increased on the accrual basis by \$870,037 or 5.5%.

Property taxes and income taxes made up 13.0% and 59.2% respectively of revenues for governmental activities for the City in fiscal year 2016. The City's reliance upon tax revenues is demonstrated by the following graph indicating 72.2% of total revenues from general tax revenues:

Revenue Sources	2016	Percent of Total
General Shared Revenues	\$787,888	2.8%
Program Revenues	6,693,426	23.6%
General Tax Revenues	20,434,316	72.2%
General Other	402,804	1.4%
Total Revenue	\$28,318,434	100.00%



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Business-Type Activities

The City's business-type activities net position decreased by \$277,704. The decrease in net position before transfers was \$282,704 from 2015 to 2016. Rates were increased in 2015 and 2016 to reflect current costs. A utility rate study is in review to make rate adjustments and capital improvements for the next ten years.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$28,549,303, which is a decrease from last year's balance of \$30,179,457. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2016 and 2015:

	Fund Balance December 31, 2016	Fund Balance December 31, 2015	Increase (Decrease)
General	\$9,999,891	\$10,200,926	(\$201,035)
Fallen Timbers TIF	3,924,354	3,273,824	650,530
Income Tax "B" (.5%)	11,138,817	12,987,228	(1,848,411)
Other Governmental	3,486,241	3,717,479	(231,238)
Total	\$28,549,303	\$30,179,457	(\$1,630,154)

General Fund – The City's General Fund balance decreased from 2015 to 2016. Personnel wages and health benefits were the main cause of the decrease in the General Fund balance 2016. The City has continued its effort to contain costs through attrition and policy changes. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2016 Revenues	2015 Revenues	Increase (Decrease)
Property Taxes	\$1,283,684	\$1,294,936	(\$11,252)
Municipal Income Taxes	11,182,666	10,601,645	581,021
Intergovernmental Revenue	2,300,442	2,313,169	(12,727)
Charges for Services	1,424,186	1,403,845	20,341
Licenses and Permits	394,582	301,652	92,930
Investment Earnings	161,525	258,677	(97,152)
Special Assessments	8,628	11,514	(2,886)
Fines and Forfeitures	845,571	783,747	61,824
All Other Revenue	684,045	913,474	(229,429)
Total	\$18,285,329	\$17,882,659	\$402,670

General Fund revenues in 2016 increased \$402,670 compared to revenues in fiscal year 2015. The most significant factor contributing to this increase in revenue was an increase in income tax revenue.

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	2016	2015	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$8,918,182	\$8,823,388	\$94,794
Public Health and Welfare Services	172,990	211,153	(38,163)
Leisure Time Activities	1,920,197	1,735,306	184,891
Community Environment	862,252	769,775	92,477
Basic Utility Services	982,142	955,301	26,841
Transportation	1,405,036	1,881,679	(476,643)
General Government	3,917,125	3,641,820	275,305
Total	<u>\$18,177,924</u>	<u>\$18,018,422</u>	<u>\$159,502</u>

General Fund expenditures increased \$159,502 compared to the prior year. Overall increases in wages and employee benefits accounts for the majority of the increase in expenditures.

For the Fallen Timbers TIF Fund, the fund balance increase was mainly due to collections being greater than payments in lieu of tax (PILOT) payments, construction and debt payments during 2016.

For the Income Tax "B" (0.5%) Fund, the decrease was related to lower income tax revenues (accrual basis) and an increase in capital project expenditures.

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 fiscal year 2016, the City amended its General Fund budget several times, none of which were significant.

For the General Fund, final budget basis revenue, including other financial sources, of \$18.1 million did not change from the original budget estimates. The General Fund had an adequate fund balance to cover expenditures.

CITY OF MAUMEE, OHIO

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2016 the City had \$95,556,946, net of accumulated depreciation, invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$86,566,615 was related to governmental activities and \$8,990,331 to the business-type activities. The following table shows fiscal year 2016 and 2015 balances:

	Governmental Activities		Increase (Decrease)
	2016	2015	
Land	\$7,179,540	\$7,179,540	\$0
Construction in Progress	1,122,721	1,312,653	(189,932)
Buildings & Improvements	56,672,328	55,717,390	954,938
Machinery and Equipment	18,172,364	16,433,000	1,739,364
Infrastructure	56,950,240	54,418,644	2,531,596
Less: Accumulated Depreciation	(53,530,578)	(50,271,658)	(3,258,920)
Totals	\$86,566,615	\$84,789,569	\$1,777,046

	Business-Type Activities		Increase (Decrease)
	2016	2015	
Land	\$118,864	\$118,864	\$0
Construction in Progress	3,549	3,549	0
Buildings and Improvements	22,725,277	22,442,345	282,932
Machinery and Equipment	2,196,200	2,088,887	107,313
Less: Accumulated Depreciation	(16,053,559)	(15,534,362)	(519,197)
Totals	\$8,990,331	\$9,119,283	(\$128,952)

The primary increase occurred in infrastructure for the Governmental Activities. This included the completion of Sackett Street reconstruction at \$1.14 million, the street paving program of 11 streets, and street repair program. The Construction in Progress included the Conant Street resurfacing and the River Road / Detroit Avenue signal modifications. Government Activity Machinery included a new Fire Truck at a cost of \$693,000. The main increase for the Business-type activities was the repainting of the Illinois Avenue Water Tower. Additional information on the City's capital assets can be found in Note 11.

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Debt

At December 31, 2016, the City had \$22 million in long-term bond obligations outstanding, \$2,020,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Governmental Activities:		
General Obligation Bonds	\$21,726,546	\$23,610,800
Compensated Absences	2,131,458	2,282,720
Net Pension Liability	17,429,369	13,356,483
Workers' Compensation Liability	9,710	5,874
Ohio Police and Fire Pension Accrued Liability	44,712	46,282
Total Governmental Activities	<u>41,341,795</u>	<u>39,302,159</u>
Business-Type Activities:		
General Obligation Bonds	\$752,012	\$871,514
Compensated Absences	217,851	218,231
Net Pension Liability	<u>1,227,427</u>	<u>917,467</u>
Total Business-Type Activities	<u>2,197,290</u>	<u>2,007,212</u>
Totals	<u><u>\$43,539,085</u></u>	<u><u>\$41,309,371</u></u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Maumee lies, is limited to ten mills. At December 31, 2016, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 15.

ECONOMIC FACTORS

The City budgets conservatively for both revenue and expenditures. The City also recognizes that many amendments to the budget are required during the year and anticipates the needs and activities to be defined throughout the year. Original budget General Fund revenues were projected to increase from 2015 by 2.1% and expenditures were projected to decrease by 5%. Actual General Fund revenues increased by 3.4% with actual General Fund expenditures increasing by 3.8%.

The City's largest source of revenue is an income tax of 1.5% levied by the City. On a cash basis, the City's income tax revenue increased by 3.6% in 2016. One percent is available for general purposes while one-half percent is restricted to capital improvements.

The City continued its commitment to major capital improvements in 2016. Street improvements included the street paving program on eleven (11) streets and street repair project, a River Road/ Detroit Avenue Signal Improvement, Conant Street Safety Upgrade and reconstruction of Sackett Street. Some of the 2016 major capital projects and expenditures are as follows.

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Sackett Street Reconstruction:

In 2016 the City of Maumee contracted with Geddis Paving & Excavating Inc. for the reconstruction of Sackett Street. The project consisted of removal and replacement of the existing roadway, curbs, storm sewer catch basins, drive approaches and upgrades to the intersection ramps to meet ADA Standards. Construction commenced in the first week of June and was completed in early August. Total construction cost was \$1,140,000. The project limits were from Key Street to Gibbs Street for a distance of 2,780 lineal feet. The project was funded by City of Maumee.

Refuse and Recycling Toters

In 2016, The City of Maumee, in conjunction with the Lucas County Solid Waste District, contracted for residential refuse and recycling collection services. As part of the contract, Maumee accepted unit prices to change from a manual collection to an automated Toter collection service. With the switchover, Maumee purchased 500 of the 65 gallon Toters and 12,078 of the 95 gallon Toters for both the recycling and refuse collection containers. The contract terms are for each residential property to receive 1 each of the refuse and 1 recycling Toter. Total cost of the Toter purchase was just under \$600,000.

Conant Street Resurfacing

In July, Maumee contracted with Crestline Paving and Excavating Inc. for the resurfacing of Conant Street (U.S. 20) from the Maumee-Perrysburg Bridge to the Anthony Wayne Trail (U.S. 24). The project involved a 3 inch milling and paving operation along with rebuilding the storm sewer catch basins, replacing sections of sidewalk, upgrading intersection ramps to meet current ADA Standards, improving the traffic signal detection by upgrading to detection cameras, and installing a new traffic controller to provide for a protected left hand turn phase from Conant Street to Westbound Broadway Street. The total construction cost was \$672,813.25. The City received State of Ohio reimbursement through Urban Paving funds in the amount of \$274,932.80 and Ohio Public Works funds reimbursement in the amount of \$221,653.82. Project was substantially completed in November of 2016.

Heavy Rescue Squad Truck

In October 2016 the Maumee Fire Division took delivery of a new Heavy Rescue Squad, designated as "Rescue 94". Built by Pierce Manufacturing, this Rescue is a very versatile piece of equipment, with a multitude of heavy rescue equipment, including the Jaws of Life. The truck also was designed with efficiency in mind, and can also serve as a pumper. It has 600 feet of hose, and 40 feet of ladders, holds 500 gallons of water, and has a 1,500 gallon per minute pump capacity. It carries everything to handle car accidents, hazardous materials incidents, fires, and other emergencies. It took our Apparatus Committee over two years to design, and it took Pierce over eight months to build. The Rescue cost approximately \$693,000 and will have over \$40,000 worth of new tools and equipment on it. Fire Division officials expect the Rescue to last at least 20 to 25 years.

Other capital purchases in 2016 included four (4) new Police SUV's, two (2) new Fire SUV's, two (2) HD pickup trucks, two (2) new Pickups, a new Skid Loader, two (2) new Electric Transformers for the Municipal and Police Buildings, new Tiled Flooring in Fire Station #1, new HVAC system in Fire Station #2, Rolf Park Lighting and Fencing, Ford Baseball Field Fencing, Maumee Indoor Theater HVAC system, repainting the Illinois Avenue Water Tower, a new Inflatable Boat and Trailer, and Fire Rescue Equipment. Capital office purchases included 20 new desktop computers, two (2) copier machines, a Sound System, an Interview Monitoring System, Cemetery Software and three (3) desktop scanners.

CITY OF MAUMEE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2016

Unaudited

The business base of the City was strengthened with new companies moving to Maumee. The City's Job Creation and Retention program provided grants to firms in an effort to attract and retain employers in the City. During 2016, there were 25 firms receiving JCR grants totaling \$197,420 under this program. There were three new Job Creation Grants initiated in 2016 attracting/retaining 113 jobs. In 2009, Maumee City Council authorized the establishment of a new Job Creation Mini-Grant program aimed at attracting smaller businesses to fill long-term office and building vacancies within the City. The City approved one mini-grant in 2015 to retain/attract 13 employees under this program. No new mini-grants were added in 2016.

The City worked cooperatively with our collective bargaining units to secure contracts in which a 2.5%, 2.5% and 2.0% base wage increase for years 2016, 2017 and 2018 respectively was agreed upon. Benefits such as vacation, holidays and insurance will basically remain the same for 2016-2018. Additionally, the City continues to examine all funds and adopted best accounting practices to lessen the burden on the General Fund. The past few years of lower Local Government Funds from the State of Ohio, lower property tax collections, elimination of estate tax collections and reduced interest earnings on investments has resulted in lower General Fund revenues for the City. Therefore, the City is actively pursuing to reduce costs to protect existing financial resources.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 419-897-7115 or writing to City of Maumee Finance Department, 400 Conant Street, Maumee, Ohio 43537; or by referring to the City's website at www.maumee.org.

CITY OF MAUMEE, OHIO

**Statement of Net Position
December 31, 2016**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 2,108,193	\$ 16,494	\$ 2,124,687
Investments	24,899,888	3,209,556	28,109,444
Receivables:			
Taxes	4,845,286	0	4,845,286
Accounts	425,843	1,059,066	1,484,909
Intergovernmental	1,235,825	0	1,235,825
Special Assessments	576,361	0	576,361
Internal Balances	(72,699)	72,699	0
Inventory of Supplies at Cost	175,695	109,075	284,770
Prepaid Items	178,942	27,869	206,811
Restricted Assets:			
Cash and Cash Equivalents	57,625	0	57,625
Capital Assets:			
Capital Assets Not Being Depreciated	8,302,261	122,413	8,424,674
Capital Assets Being Depreciated, Net	78,264,354	8,867,918	87,132,272
Total Assets	120,997,574	13,485,090	134,482,664
Deferred Outflows of Resources:			
Pension	5,347,019	468,933	5,815,952
Deferred Loss on Early Retirement of Debt	758,587	0	758,587
Total Deferred Outflows of Resources	6,105,606	468,933	6,574,539
Liabilities:			
Accounts Payable	309,427	403,877	713,304
Accrued Wages and Benefits	339,037	31,211	370,248
Claims Payable	75,667	0	75,667
Refundable Deposits	57,625	0	57,625
Accrued Interest Payable	48,829	1,342	50,171
Long-Term Liabilities:			
Due Within One Year	2,799,764	192,578	2,992,342
Net Pension Liability	17,429,369	1,227,427	18,656,796
Due in More Than One Year	21,112,662	777,285	21,889,947
Total Liabilities	42,172,380	2,633,720	44,806,100
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	2,823,094	0	2,823,094
Pension	193,400	23,716	217,116
Total Deferred Inflows of Resources	3,016,494	23,716	3,040,210

CITY OF MAUMEE, OHIO

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Position:			
Net Investment in Capital Assets	72,098,656	8,238,319	80,336,975
Restricted For:			
Capital Projects	11,596,973	0	11,596,973
Debt Service	1,285,821	0	1,285,821
Street Construction, Maintenance and Repair	427,921	0	427,921
State Highway Improvement	88,168	0	88,168
Street Lighting	849,514	0	849,514
Court Improvement	221,484	0	221,484
Revolving Loan	322,921	0	322,921
TIF Activity	3,924,354	0	3,924,354
Other Purposes	162,085	0	162,085
Unrestricted (Deficit)	<u>(9,063,591)</u>	<u>3,058,268</u>	<u>(6,005,323)</u>
Total Net Position	<u>\$ 81,914,306</u>	<u>\$ 11,296,587</u>	<u>\$ 93,210,893</u>

See accompanying notes to the basic financial statements

CITY OF MAUMEE, OHIO

**Statement of Activities
For the Year Ended December 31, 2016**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 11,317,154	\$ 1,508,283	\$ 1,964	\$ 0
Public Health and Welfare Services	182,185	57,627	0	0
Leisure Time Activities	2,554,686	728,206	0	0
Community Environment	1,891,203	340,272	0	0
Basic Utility Services	1,234,371	1,800	0	0
Transportation	3,976,872	20,608	929,525	1,024,354
General Government	4,643,289	2,048,915	31,872	0
Interest and Fiscal Charges	711,056	0	0	0
Total Governmental Activities	<u>26,510,816</u>	<u>4,705,711</u>	<u>963,361</u>	<u>1,024,354</u>
Business-Type Activities:				
Water	2,931,995	3,280,967	0	0
Sewer	2,485,806	1,854,130	0	0
Total Business-Type Activities	<u>5,417,801</u>	<u>5,135,097</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 31,928,617</u>	<u>\$ 9,840,808</u>	<u>\$ 963,361</u>	<u>\$ 1,024,354</u>

General Revenues

Property Taxes
 Payments in Lieu of Taxes
 Municipal Income Taxes
 Grants and Entitlements not Restricted to Specific Programs
 Investment Earnings
 Miscellaneous
 Transfers
 Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year
 Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF MAUMEE, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (9,806,907)	\$ 0	\$ (9,806,907)
(124,558)	0	(124,558)
(1,826,480)	0	(1,826,480)
(1,550,931)	0	(1,550,931)
(1,232,571)	0	(1,232,571)
(2,002,385)	0	(2,002,385)
(2,562,502)	0	(2,562,502)
(711,056)	0	(711,056)
<u>(19,817,390)</u>	<u>0</u>	<u>(19,817,390)</u>
0	348,972	348,972
0	<u>(631,676)</u>	<u>(631,676)</u>
0	<u>(282,704)</u>	<u>(282,704)</u>
<u>(19,817,390)</u>	<u>(282,704)</u>	<u>(20,100,094)</u>
1,405,471	0	1,405,471
2,252,913	0	2,252,913
16,775,932	0	16,775,932
787,888	0	787,888
164,648	0	164,648
238,156	0	238,156
(5,000)	5,000	0
<u>21,620,008</u>	<u>5,000</u>	<u>21,625,008</u>
1,802,618	(277,704)	1,524,914
<u>80,111,688</u>	<u>11,574,291</u>	<u>91,685,979</u>
<u>\$ 81,914,306</u>	<u>\$ 11,296,587</u>	<u>\$ 93,210,893</u>

CITY OF MAUMEE, OHIO

Balance Sheet
Governmental Funds
December 31, 2016

	General	Fallen Timbers TIF	Income Tax "B" (.5%)
	<u>General</u>	<u>TIF</u>	<u>(.5%)</u>
Assets:			
Cash and Cash Equivalents	\$ 45,727	\$ 20,064	\$ 51,622
Investments	8,653,213	3,904,290	10,045,354
Receivables:			
Taxes	2,735,738	1,339,091	651,441
Accounts	337,108	0	0
Intergovernmental	394,692	0	458,156
Special Assessments	8,284	0	0
Interfund Loans Receivables	0	0	441,310
Inventory of Supplies, at Cost	34,995	0	0
Prepaid Items	140,259	0	0
Total Assets	<u>\$ 12,350,016</u>	<u>\$ 5,263,445</u>	<u>\$ 11,647,883</u>
Liabilities:			
Accounts Payable	\$ 186,859	\$ 0	\$ 50,910
Accrued Wages and Benefits Payable	278,812	0	0
Interfund Loans Payable	0	0	0
Compensated Absences Payable	171,925	0	0
Total Liabilities	<u>637,596</u>	<u>0</u>	<u>50,910</u>
Deferred Inflows of Resources:			
Unavailable Amounts	343,175	0	458,156
Property Tax for Next Fiscal Year	1,369,354	1,339,091	0
Total Deferred Inflows of Resources	<u>1,712,529</u>	<u>1,339,091</u>	<u>458,156</u>
Fund Balances:			
Nonspendable	214,768	0	0
Restricted	0	3,924,354	11,138,817
Committed	80	0	0
Assigned	138,823	0	0
Unassigned	9,646,220	0	0
Total Fund Balances	<u>9,999,891</u>	<u>3,924,354</u>	<u>11,138,817</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,350,016</u>	<u>\$ 5,263,445</u>	<u>\$ 11,647,883</u>

See accompanying notes to the basic financial statements

CITY OF MAUMEE, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 1,479,454 2,297,031 119,016 0 382,977 568,077 0 140,700 5,295 <hr/> \$ 4,992,550	\$ 1,596,867 24,899,888 4,845,286 337,108 1,235,825 576,361 441,310 175,695 145,554 <hr/> \$ 34,253,894
\$ 66,888 60,225 454,850 10,628 <hr/> 592,591	\$ 304,657 339,037 454,850 182,553 <hr/> 1,281,097
799,069 114,649 <hr/> 913,718	1,600,400 2,823,094 <hr/> 4,423,494
142,241 2,707,146 839,292 54 (202,492) <hr/> 3,486,241	357,009 17,770,317 839,372 138,877 9,443,728 <hr/> 28,549,303
<hr/> \$ 4,992,550	<hr/> \$ 34,253,894

CITY OF MAUMEE, OHIO

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities December 31, 2016

Total Governmental Fund Balances	\$	28,549,303
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		86,566,615
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Property Taxes	53,862	
Intergovernmental	864,314	
Charges for Services	105,863	
Intergovernmental	<u>576,361</u>	1,600,400
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	5,347,019	
Deferred Inflows - Pension	(193,400)	
Net Pension Liability	<u>(17,429,369)</u>	(12,275,750)
Accrued interest on outstanding debt is not due and payable in the current period and, therefore, is not reported in the funds: it is reported when due.		(48,829)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		493,853
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds Payable	(21,726,546)	
Ohio Police and Fire Accrued Pension Liability	(44,712)	
Workers Compensation Liability	(9,710)	
Deferred Charge on Debt Refunding	758,587	
Compensated Absences Payable	<u>(1,948,905)</u>	<u>(22,971,286)</u>
<i>Net Position of Governmental Activities</i>	\$	<u>81,914,306</u>

See accompanying notes to the basic financial statements

CITY OF MAUMEE, OHIO



CITY OF MAUMEE, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016**

	General	Fallen Timbers TIF	Income Tax "B" (.5%)
Revenues:			
Property Taxes	\$ 1,283,684	\$ 0	\$ 0
Payments in Lieu of Taxes	0	2,252,913	0
Municipal Income Tax	11,182,666	0	5,593,266
Intergovernmental Revenues	2,300,442	0	5,500
Charges for Services	1,424,186	0	0
Licenses and Permits	394,582	0	0
Investment Earnings	161,525	3,053	0
Special Assessments	8,628	0	0
Fines and Forfeitures	845,571	0	0
All Other Revenue	684,045	0	0
Total Revenue	18,285,329	2,255,966	5,598,766
Expenditures:			
Current:			
Security of Persons and Property	8,918,182	0	0
Public Health and Welfare Services	172,990	0	0
Leisure Time Activities	1,920,197	0	0
Community Environment	862,252	985,138	0
Basic Utility Services	982,142	0	0
Transportation	1,405,036	0	0
General Government	3,917,125	0	186,116
Capital Outlay	0	0	3,374,574
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	18,177,924	985,138	3,560,690
Excess (Deficiency) of Revenues Over Expenditures	107,405	1,270,828	2,038,076
Other Financing Sources (Uses):			
Sale of Capital Assets	166,785	0	0
Transfers In	0	0	0
Transfers Out	(484,000)	(620,298)	(3,886,487)
Total Other Financing Sources (Uses)	(317,215)	(620,298)	(3,886,487)
Net Change in Fund Balances	(209,810)	650,530	(1,848,411)
Fund Balances at Beginning of Year	10,200,926	3,273,824	12,987,228
Increase (Decrease) in Inventory Reserve	8,775	0	0
Fund Balances End of Year	\$ 9,999,891	\$ 3,924,354	\$ 11,138,817

See accompanying notes to the basic financial statements

CITY OF MAUMEE, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 113,598	\$ 1,397,282
0	2,252,913
0	16,775,932
960,791	3,266,733
0	1,424,186
0	394,582
70	164,648
349,253	357,881
213,378	1,058,949
4,200	688,245
<u>1,641,290</u>	<u>27,781,351</u>
969,396	9,887,578
0	172,990
0	1,920,197
0	1,847,390
0	982,142
820,470	2,225,506
93,145	4,196,386
2,351,620	5,726,194
1,855,000	1,855,000
<u>629,947</u>	<u>629,947</u>
<u>6,719,578</u>	<u>29,443,330</u>
(5,078,288)	(1,661,979)
0	166,785
5,010,785	5,010,785
<u>(25,000)</u>	<u>(5,015,785)</u>
<u>4,985,785</u>	<u>161,785</u>
(92,503)	(1,500,194)
3,717,479	30,179,457
<u>(138,735)</u>	<u>(129,960)</u>
<u>\$ 3,486,241</u>	<u>\$ 28,549,303</u>

CITY OF MAUMEE, OHIO

***Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2016***

Net Change in Fund Balances - Total Governmental Funds \$ (1,500,194)

Amounts reported for governmental activities in the statement of activities are different because

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 amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	5,593,341	
Depreciation	<u>(3,725,382)</u>	1,867,959

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (90,913)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	8,189	
Intergovernmental	419,188	
Charges for Services	2,309	
All Other Revenue	(275)	
Special Assessments	<u>(59,113)</u>	370,298

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,362,707

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,223,273)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. In addition, repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bonds Principal	1,855,000	
Amortization of Deferred Loss on G.O. Bonds	(113,435)	
Amortization of Premium on G.O. Bonds	29,254	
Adjustment to Long-Term Workers Compensation	(3,836)	
Ohio Police and Fire Principal Payment	<u>1,570</u>	1,768,553

(Continued)

CITY OF MAUMEE, OHIO

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net position.

Accrued Interest Payable	3,072
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Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Decrease in Supplies Inventory	(129,960)	
Decrease in Compensated Absences Payable	143,553	13,593

The internal service funds are used by management to charge the costs of services to individual funds and is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.

230,816

Change in Net Position of Governmental Activities

\$ 1,802,618

See accompanying notes to the basic financial statements

CITY OF MAUMEE, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 1,288,000	\$ 1,288,000	\$ 1,292,022	\$ 4,022
Municipal Income Tax	11,045,000	11,045,000	11,504,322	459,322
Intergovernmental Revenue	2,393,437	2,393,437	2,302,244	(91,193)
Charges for Services	1,399,112	1,399,112	1,425,896	26,784
Licenses and Permits	320,600	320,600	394,582	73,982
Investment Earnings	294,000	294,000	321,970	27,970
Special Assessments	12,000	12,000	8,628	(3,372)
Fines and Forfeitures	778,200	778,200	860,388	82,188
All Other Revenues	585,584	585,584	713,541	127,957
Total Revenues	<u>18,115,933</u>	<u>18,115,933</u>	<u>18,823,593</u>	<u>707,660</u>
Expenditures:				
Current:				
Security of Persons and Property	9,511,236	9,490,752	9,383,251	107,501
Public Health and Welfare Services	178,251	179,501	173,954	5,547
Leisure Time Activities	1,970,040	1,963,412	1,934,758	28,654
Community Environment	630,015	709,597	698,111	11,486
Basic Utility Services	957,965	1,058,245	1,053,467	4,778
Transportation	1,552,181	1,675,416	1,613,064	62,352
General Government	3,995,248	4,119,786	4,079,627	40,159
Total Expenditures	<u>18,794,936</u>	<u>19,196,709</u>	<u>18,936,232</u>	<u>260,477</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(679,003)	(1,080,776)	(112,639)	968,137
Other Financing Sources (Uses):				
Sale of Capital Assets	40,000	40,000	166,785	126,785
Transfers Out	(808,920)	(664,420)	(663,400)	1,020
Total Other Financing Sources (Uses):	<u>(768,920)</u>	<u>(624,420)</u>	<u>(496,615)</u>	<u>127,805</u>
Net Change in Fund Balance	(1,447,923)	(1,705,196)	(609,254)	1,095,942
Fund Balance at Beginning of Year	8,953,042	8,953,042	8,953,042	0
Prior Year Encumbrances	349,927	349,927	349,927	0
Fund Balance at End of Year	<u>\$ 7,855,046</u>	<u>\$ 7,597,773</u>	<u>\$ 8,693,715</u>	<u>\$ 1,095,942</u>

See accompanying notes to the basic financial statements

CITY OF MAUMEE, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Fallen Timbers TIF Fund
For the Year Ended December 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Payments in Lieu of Taxes	\$ 2,200,000	\$ 2,200,000	\$ 2,252,913	\$ 52,913
Investment Earnings	0	0	3,053	3,053
Total Revenues	2,200,000	2,200,000	2,255,966	55,966
Expenditures:				
Current:				
Community Environment	1,000,000	1,000,000	985,138	14,862
Debt Service:				
Principal Retirement	370,000	370,000	370,000	0
Interest and Fiscal Charges	251,000	251,000	250,298	702
Total Expenditures	1,621,000	1,621,000	1,605,436	15,564
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	579,000	579,000	650,530	71,530
Fund Balance at Beginning of Year	3,273,824	3,273,824	3,273,824	0
Fund Balance at End of Year	\$ 3,852,824	\$ 3,852,824	\$ 3,924,354	\$ 71,530

See accompanying notes to the basic financial statements

CITY OF MAUMEE, OHIO

**Statement of Net Position
Proprietary Fund
December 31, 2016**

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Water	Sewer	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 7,147	\$ 9,347	\$ 16,494	\$ 511,326
Investments	1,390,780	1,818,776	3,209,556	0
Accounts Receivable	643,401	415,665	1,059,066	88,735
Interfund Loans Receivable	6,770	6,770	13,540	0
Inventory of Supplies at Cost	106,750	2,325	109,075	0
Prepaid Items	17,990	9,879	27,869	33,388
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	57,625
Total Current Assets	<u>2,172,838</u>	<u>2,262,762</u>	<u>4,435,600</u>	<u>691,074</u>
Noncurrent Assets:				
Capital Assets:				
Property, Plant and Equipment	13,096,466	11,943,875	25,040,341	0
Construction in Progress	0	3,549	3,549	0
Less accumulated depreciation	<u>(7,153,147)</u>	<u>(8,900,412)</u>	<u>(16,053,559)</u>	<u>0</u>
Total Capital Assets (net of accumulated depreciation)	<u>5,943,319</u>	<u>3,047,012</u>	<u>8,990,331</u>	<u>0</u>
Total Noncurrent Assets	<u>5,943,319</u>	<u>3,047,012</u>	<u>8,990,331</u>	<u>0</u>
Total assets	<u>8,116,157</u>	<u>5,309,774</u>	<u>13,425,931</u>	<u>691,074</u>
Deferred Outflows of Resources:				
Pension	<u>263,911</u>	<u>205,022</u>	<u>468,933</u>	<u>0</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	7,609	396,268	403,877	4,770
Accrued Wages and Benefits	19,372	11,839	31,211	0
Compensated Absences Payable - Current	47,461	30,117	77,578	0
Claims Payable	0	0	0	75,667
Refundable Deposits	0	0	0	57,625
Accrued Interest Payable	1,342	0	1,342	0
General Obligation Bonds Payable - Current	<u>115,000</u>	<u>0</u>	<u>115,000</u>	<u>0</u>
Total Current Liabilities	<u>190,784</u>	<u>438,224</u>	<u>629,008</u>	<u>138,062</u>

(Continued)

CITY OF MAUMEE, OHIO

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water	Sewer	Total	Internal Service Fund
Noncurrent Liabilities:				
General Obligation Bonds Payable	637,012	0	637,012	0
Net Pension Liability	690,786	536,641	1,227,427	0
Compensated Absences Payable	92,021	48,252	140,273	0
Total Noncurrent Liabilities	1,419,819	584,893	2,004,712	0
Total Liabilities	1,610,603	1,023,117	2,633,720	138,062
Deferred Inflows of Resources:				
Pension	13,347	10,369	23,716	0
NET POSITION				
Net Investment in Capital Assets	5,191,307	3,047,012	8,238,319	0
Unrestricted	1,564,811	1,434,298	2,999,109	553,012
Total Net Position	\$ 6,756,118	\$ 4,481,310	11,237,428	\$ 553,012
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			59,159	
Net Position of Business-type Activities			\$ 11,296,587	

See accompanying notes to the basic financial statements

CITY OF MAUMEE, OHIO

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

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Water	Sewer	Total	
Operating Revenues:				
Charges for Services	\$ 3,274,054	\$ 1,826,932	\$ 5,100,986	\$ 3,051,906
Other Operating Revenue	6,913	27,198	34,111	209,876
Total Operating Revenues	3,280,967	1,854,130	5,135,097	3,261,782
Operating Expenses:				
Personal Services	870,252	664,332	1,534,584	2,686,661
Contractual Services	146,153	1,385,473	1,531,626	316,151
Materials and Supplies	1,571,909	53,691	1,625,600	0
Utilities	78,744	123,938	202,682	0
Depreciation	267,657	270,099	537,756	0
Total Operating Expenses	2,934,715	2,497,533	5,432,248	3,002,812
Operating Income (Loss)	346,252	(643,403)	(297,151)	258,970
Nonoperating Revenue (Expenses):				
Interest Expense	(13,707)	0	(13,707)	0
Total Nonoperating Revenues (Expenses)	(13,707)	0	(13,707)	0
Income (Loss) Before Transfers	332,545	(643,403)	(310,858)	258,970
Transfers In	5,000	0	5,000	0
Change in Net Position	337,545	(643,403)	(305,858)	258,970
Net Position Beginning of Year	6,418,573	5,124,713	11,543,286	294,042
Net Position End of Year	\$ 6,756,118	\$ 4,481,310	11,237,428	\$ 553,012
Change in Net Position - Total Enterprise Funds			(305,858)	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			28,154	
Change in Net Position - Business-type Activities			\$ (277,704)	

See accompanying notes to the basic financial statements

CITY OF MAUMEE, OHIO

Statement of Cash Flows Proprietary Fund For the Year Ended December 31, 2016

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Water	Sewer	Total	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$3,254,764	\$1,833,483	\$5,088,247	\$3,051,906
Cash Payments for Goods and Services	(1,946,947)	(1,182,508)	(3,129,455)	(412,550)
Cash Payments to Employees	(877,178)	(669,441)	(1,546,619)	(2,690,677)
Other Operating Receipts	6,913	27,198	34,111	227,631
Net Cash Provided by Operating Activities	<u>437,552</u>	<u>8,732</u>	<u>446,284</u>	<u>176,310</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	5,000	0	5,000	0
Net Cash Provided by Noncapital Financing Activities	<u>5,000</u>	<u>0</u>	<u>5,000</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Principal Paid on General Obligation Bonds	(115,000)	0	(115,000)	0
Acquisition and Construction of Assets	(203,082)	(205,722)	(408,804)	0
Interest Paid on All Debt	(18,400)	0	(18,400)	0
Net Cash Used for Capital and Related Financing Activities	<u>(336,482)</u>	<u>(205,722)</u>	<u>(542,204)</u>	<u>0</u>
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	0	104,064	104,064	0
Purchase of Investments	(164,165)	0	(164,165)	0
Net Cash Provided (Used) for Investing Activities	<u>(164,165)</u>	<u>104,064</u>	<u>(60,101)</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(58,095)	(92,926)	(151,021)	176,310
Cash and Cash Equivalents at Beginning of Year	65,242	102,273	167,515	335,016
Cash and Cash Equivalents at End of Year	<u>\$7,147</u>	<u>\$9,347</u>	<u>\$16,494</u>	<u>\$511,326</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>				
Operating Income (Loss)	\$346,252	(\$643,403)	(\$297,151)	\$258,970
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	267,657	270,099	537,756	0
Changes in Assets and Liabilities:				
Decrease (Increase) in Accounts Receivable	(19,290)	6,551	(12,739)	17,755
Increase in Deferred Outflows of Resources	(164,599)	(130,566)	(295,165)	0
Decrease (Increase) in Inventory	17,870	(614)	17,256	0
Increase in Prepaid Items	(5,945)	(5,101)	(11,046)	(53)
Increase (Decrease) in Accounts Payable	(162,066)	386,309	224,243	(4,016)
Decrease in Accrued Wages and Benefits	(19,742)	(15,106)	(34,848)	0
Decrease in Claims Liability	0	0	0	(96,346)
Increase (Decrease) in Compensated Absences Payable	(19,748)	19,368	(380)	0
Increase in Net Pension Liability	192,569	117,391	309,960	0
Increase in Deferred Inflows of Resources	4,594	3,804	8,398	0
Total Adjustments	<u>91,300</u>	<u>652,135</u>	<u>743,435</u>	<u>(82,660)</u>
Net Cash Provided by Operating Activities	<u>\$437,552</u>	<u>\$8,732</u>	<u>\$446,284</u>	<u>\$176,310</u>

See accompanying notes to the basic financial statements

CITY OF MAUMEE, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2016***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 1,301,706
Total Assets	<u>1,301,706</u>
Liabilities:	
Intergovernmental Payable	1,282,244
Due to Others	<u>19,462</u>
Total Liabilities	<u>\$ 1,301,706</u>

See accompanying notes to the basic financial statements

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Maumee, Ohio (the "City") is a home-rule municipal corporation created under the laws of the State of Ohio. The City operates under its own Charter. The current Charter, which provides for a Council/Mayor form of government, was adopted in 1951 and has been amended seven times (in 1958, 1968, 1976, 1989, 1994, 2005 and 2006).

The accompanying basic financial statements of the City present the financial position of the various fund types, the results of operations of the various fund types and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2016 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB Statement No. 61 "*The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which include the following services: public safety, highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services. In addition, the City owns the water distribution system and the wastewater collection system, which are reported as enterprise funds.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds - Governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities and deferred inflows of resources (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

General Fund – This fund is used to account for all financial resources except those 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 general laws of Ohio.

Fallen Timbers TIF Fund – This fund is used to account for revenues restricted by a tax increment financing agreement for the area of Fallen Timbers.

Income Tax "B" (0.5%) Fund – This fund is used to account for revenues from one-third of the income tax collections and for expenditures restricted to permanent improvements.

Proprietary Funds - All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, whereby the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise funds are:

Water Fund – This fund is used to account for the operation of the City's water service.

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Sewer Fund – This fund is used to account for the operation of the City’s sanitary sewer service.

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has one internal service fund, the Self Insurance Health Care Fund, which is used to account for monies received from city departments to cover the cost of health care for employees of the City’s departments.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary 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 therefore not available to support the City’s own programs. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation. These funds operate on an accrual basis of accounting. The City has six agency funds. These funds are used to account for monies received by the City in situations where the City’s role is purely custodial in nature. The six funds are the Municipal Court Fund, which accounts for monies that flow through the municipal court office, the Ohio Board of Building Standards Assessments Fund, which accounts for funds from the three percent (3%) fees as required by Ohio Revised Code, the Ohio Board of Building Standards Residential Fund, which accounts for funds from the one percent (1%) fees as required by Ohio Revised Code, the MMT-JEDZ Collections Fund, which accounts for income taxes collected for the Monclova/Maumee/Toledo Joint Economic Development Zone, the MT-JEDZ Collections Fund, which accounts for income taxes collected for the Maumee/Toledo Joint Economic Development Zone and the CEDA Fund, which accounts for the collections related to the Monclova/Maumee/Toledo Cooperative Economic Development Agreement.

C. Basis of Presentation – Financial Statements

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 statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The internal service fund is eliminated to avoid “doubling up” revenues and expenses; however, the interfund services provided and used are not eliminated in the process of consolidation.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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.

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program 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 which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus. Government-wide financial statements are prepared using the accrual basis of accounting.

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

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. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, special assessments, and certain state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues are recorded as revenue when received in cash because generally this revenue is not measurable until received.

Special assessment installments, which are measurable, but not available at December 31, are recorded as deferred inflow of resources – unavailable amount. Property taxes measurable as of December 31, 2016, but which are not intended to finance 2016 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflow of resources as further described in Note 6.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses recognized when incurred.

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deferred Inflows/Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditures) until then. The City has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the Governmental Activities of the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, municipal income taxes, charges for services, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriation ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control for all funds involving operations is at the object level within each department. Certain funds are appropriated at the minimum level of budgetary control as required by Ohio Revised Code section 5705.38 (c) due to the restricted nature of the use of these funds. Those funds are as follows: Indigent Driver Alcohol Treatment Fund, Federal and State Grants Fund, Community Housing Improvement Program Fund, Community Development Block Grant Fund, Job Creation and Retention Fund, Maumee Revolving Loan Fund, Probation Services Fund and the Fallen Timbers TIF Fund (special revenue funds), Income Tax "B" Fund Permanent Improvement Fund, Sewer Construction Fund, Waterline Construction Fund, Street Construction Fund, Sidewalk Construction Fund and the Municipal Court Improvement Fund (capital projects funds). Budgetary modifications may only be made by ordinance of the City Council.

1. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificate of estimated resources issued during 2016.

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

2. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level and appropriations for personnel services are made at the object level in any fund. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level within each department. During the year, several supplemental appropriations were necessary to budget for capital outlay. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—General Fund" and in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—Fallen Timbers TIF Fund" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

3. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to constrain that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end, however, are reported as reservations of fund balances for subsequent year expenditures in the accompanying basic financial statements.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

CITY OF MAUMEE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and major special revenue funds:

	Net Change in Fund Balance	
	General Fund	Fallen Timbers TIF Fund
GAAP Basis (as reported)	(\$209,810)	\$650,530
Increase (Decrease):		
Accrued Revenues at December 31, 2016 received during 2017	(1,518,342)	0
Accrued Revenues at December 31, 2015 received during 2016	2,056,606	0
Accrued Expenditures at December 31, 2015 paid during 2016	637,596	0
Accrued Expenditures at December 31, 2015 paid during 2016	(1,225,921)	0
2015 Prepays for 2016	40,952	0
2016 Prepays for 2017	(140,259)	0
Outstanding Encumbrances	(250,096)	0
Perspective Difference:		
Activity of Funds Reclassified for GAAP Reporting Purposes	20	0
Budget Basis	(\$609,254)	\$650,530

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and the State Treasurer's Assets Reserve (STAR Ohio). STAR Ohio is considered a cash equivalent because it is a highly liquid investment with an original maturity date of three months or less.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintains its own cash and investment account. See Note 5, "Cash, Cash Equivalents and Investments."

H. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 5, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2016.

I. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Prepaid Items

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

K. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$500.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment – Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Position and in the respective funds.

CITY OF MAUMEE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets and Depreciation (Continued)

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings	25 - 45
Improvements other than Buildings/Infrastructure	10 - 50
Machinery, Equipment, Furniture and Fixtures	5 - 15

L. Long-Term Debt

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Ohio Water Development Authority Loans	Ohio Water Development Authority Debt Service Fund
Police and Fire Pension Accrued Liability	Police Pension Fund
Compensated Absences	General Fund, Street Construction, Maintenance and Repair Fund, Water Fund, Sewer Fund, Income Tax Fund
General Obligation Bonds	General Bond Retirement Fund, Water Fund
Workers Compensation Liability	Various Funds

M. Compensated Absences

All full-time City employees earn vacation at varying rates based upon length of service. An employee's vacation must be used during the period in which it is earned unless the Mayor allows the balance to be carried over to the following year. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance.

All full-time City employees earn sick leave at various rates. Upon completion of five years of service with the City, an employee who separates from the City in good standing receives up to one hour of monetary compensation for each hour of unused sick leave up to a maximum of 960 hours (if hired before 9/15/86) and up to half of 1,200 hours (if hired after 9/15/86). The monetary compensation is at the hourly rate of compensation of the employee at the time of resignation if the employee is not given credit at their next place of employment.

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences (Continued)

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered or to rights that vest or accumulate, and when payment of the obligation is probable and can be reasonably determined.

For governmental funds, that portion of unpaid compensated absences that has matured and is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

N. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the 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 includes federal grants for security of persons and property and mandatory fines for various court programs.

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

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CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. 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 (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the finance director to assign fund balance for the purchases on order provided such amounts have been lawfully appropriated. The assigned amount in the General Obligation Debt Service Fund represents amounts assigned by council for the retirement of general obligation debt.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Pensions

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

Q. 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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. In addition, interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Only transfers between governmental activities and business-type activities are reported on the statement of activities.

R. 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.

S. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution and wastewater collection and treatment. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Fair Value

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.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2016, the City has implemented GASB Statement No. 72, “Fair Value Measurement and Application”, GASB Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”, GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, GASB Statement No. 77 “Tax Abatement Disclosures” and GASB Statement No. 79, “Certain External Investment Pools and Pool Participants”.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the City.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the City.

CITY OF MAUMEE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficit - The fund deficits at December 31, 2016 of \$46,094 in the Police Pension Fund (special revenue fund) and \$156,398 in the Permanent Improvement Fund (capital projects fund) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary/cash basis. A deficit does not exist under the budgetary/cash basis of accounting. Transfers are provided when cash is required, not when accruals occur.

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CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 4 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Fallen Timbers TIF Fund	Income Tax "B" (.5%) Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Unclaimed Monies	\$39,514	\$0	\$0	\$0	\$39,514
Supplies Inventory	34,995	0	0	140,700	175,695
Prepaid Items	140,259	0	0	1,541	141,800
Total Nonspendable	<u>214,768</u>	<u>0</u>	<u>0</u>	<u>142,241</u>	<u>357,009</u>
Restricted:					
TIF Payments	0	3,924,354	0	0	3,924,354
Capital Projects	0	0	11,138,817	0	11,138,817
Special Assessment Debt Service Payments	0	0	0	776,492	776,492
Street Construction and Maintenance	0	0	0	259,256	259,256
State Highway Improvement	0	0	0	24,483	24,483
Permissive Auto License	0	0	0	110,548	110,548
Street Lighting	0	0	0	849,514	849,514
Law Enforcement Trust	0	0	0	1,816	1,816
Drug Law	0	0	0	3,742	3,742
Drug Law Enforcement and Education	0	0	0	4,637	4,637
Indigent Drivers Alcohol Treatment	0	0	0	20,877	20,877
Municipal Court Capital Improvement	0	0	0	221,484	221,484
Community Housing Improvement	0	0	0	6,116	6,116
Maumee Revolving Loan	0	0	0	322,921	322,921
Indigent Driver Surplus	0	0	0	45,526	45,526
Indigent Drivers Interlock Monies	0	0	0	8,531	8,531
Probation Services	0	0	0	26,980	26,980
Court Clerk Computer	0	0	0	24,223	24,223
Total Restricted	<u>0</u>	<u>3,924,354</u>	<u>11,138,817</u>	<u>2,707,146</u>	<u>17,770,317</u>
Committed:					
Job Creation and Retention	80	0	0	0	80
Sewer Construction	0	0	0	40,585	40,585
Waterline Construction	0	0	0	21	21
Sidewalk Construction	0	0	0	93,174	93,174
Street Construction	0	0	0	621,009	621,009
Street Opening	0	0	0	84,503	84,503
Total Committed	<u>80</u>	<u>0</u>	<u>0</u>	<u>839,292</u>	<u>839,372</u>
Assigned for Purchase Orders	138,823	0	0	0	138,823
Assigned for Debt Service	0	0	0	54	54
Unassigned (deficit)	9,646,220	0	0	(202,492)	9,443,728
Total Fund Balances	<u>\$9,999,891</u>	<u>\$3,924,354</u>	<u>\$11,138,817</u>	<u>\$3,486,241</u>	<u>\$28,549,303</u>

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- 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,

CITY OF MAUMEE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- The State Treasury Asset Reserve of Ohio (STAR Ohio),
- Commercial Paper, and
- Bankers Acceptances.

A. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's policy is to place deposits with major local banks. All deposits, except for deposits held by fiscal and escrow agents or trustees, are collateralized with eligible securities. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Collateral permitted by Chapter 135 of the ORC is limited to obligations of the United States and its agencies, bonds of any state, and bonds and other obligations of any country, municipal corporation or other legally constituted authority of the State of Ohio, or any instrumentality of such county, municipal corporation or other authority. Such collateral, as permitted by Chapter 135 of the ORC is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at a Federal Reserve Bank in the name of the City.

At year end the carrying amount of the City's deposits was \$3,379,439 and the bank balance was \$4,076,026. Federal depository insurance covered \$874,916 of the bank balance and \$3,201,110 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$3,201,110</u>
Total Balance	<u><u>\$3,201,110</u></u>

The General Fund received total interest income of \$161,525 during 2016 of which, \$116,040 was earned by other funds.

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The City's investments at December 31, 2016 are summarized below:

	Fair Value	Credit Rating	Fair Value Hierarchy	Investment Maturities (in Years)		
				less than 1	1-3	3-5
FNMA	\$5,370,433	AA+ ¹ / Aaa ²	Level 2	\$0	\$1,252,793	\$4,117,640
FHLMC	2,754,994	AA+ ¹ / Aaa ²	Level 2	0	801,887	1,953,107
FHLB	3,222,481	AA+ ¹ / Aaa ²	Level 2	1,000,510	500,565	1,721,406
FFCB	1,731,270	AA+ ¹ / Aaa ²	Level 2	0	1,731,270	0
Negotiable CD's	15,030,266	N/A	Level 1	3,864,174	9,527,648	1,638,444
STAR Ohio	104,579	AAAm ¹	N/A	104,579	0	0
Total Investments	<u>\$28,214,023</u>			<u>\$4,969,263</u>	<u>\$13,814,163</u>	<u>\$9,430,597</u>

¹ Standard & Poor's

² Moody's Investor Service

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date. The City adheres to the Ohio Revised Code's five year policy.

Credit Risk – The City's investments in Freddie Mac, FNMA, FHLMC, FHLB and FFCB securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's investment policy addresses credit risk by limiting investments to the safest types of securities, pre-qualifying financial institutions, brokers, intermediaries and financial advisors and by diversifying the investment portfolio so that potential losses on individual securities do not exceed income generated from the remaining portfolio.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments in FNMA, FHLMC, FHLB and FFCB securities in the amount of \$5,370,433, \$2,754,994, \$3,222,481, and \$1,731,270, respectively, are uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name. The City has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. The City has invested 19% of its investments in FNMA, 10% in FHLMC, 11% in FHLB, 6% in FFCB, 53% in Negotiable CD's and less than 1% in STAR Ohio.

CITY OF MAUMEE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. STAR Ohio is treated as a cash equivalent. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3, as amended by GASB Statement 40.

A reconciliation between classifications of cash and investments on the financial statements and classifications per items A and B of this note are as follows:

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$3,484,018	\$28,109,444
Investments:		
STAR Ohio	<u>(104,579)</u>	<u>104,579</u>
Per GASB Statement No. 3	<u>\$3,379,439</u>	<u>\$28,214,023</u>

* Includes petty cash.

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2016 were levied after October 1, 2015 on assessed values as of January 1, 2015, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed during 2012 and the equalization adjustment was completed in 2015. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 6 - TAXES (Continued)

A. Property Taxes (Continued)

Public utility real property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100% of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Maumee. The County Auditor periodically remits to the City its portion of the taxes collected.

The full property tax rate for all City operations for the year ended December 31, 2016 was \$3.70 per \$1,000 of assessed value. The assessed value upon which the 2016 tax receipts were based was \$423,412,840. This amount constitutes \$409,877,900 in real property assessed value and \$13,534,940 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .370% (3.70 mills) of assessed value.

B. Income Tax

The City levies a tax of 1.5% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 7 – TAX ABATEMENT DISCLOSURES

As of December 31, 2016, the City of Maumee provides tax incentives under three programs: Tax Increment Financing (TIF), Enterprise Zone (EZ), and Community Reinvestment Area (CRA).

Real Estate Tax Abatements

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment area in 1996 and an Enterprise Zone in 1996, both of which included certain land within the boundaries of the City of Maumee. The City of Maumee authorizes incentives through the passage of public ordinances, based upon each businesses investment criteria, and through a contractual application process with each business, including proof that the improvements have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the CRA and EZ gave the City the ability to maintain and expand businesses located in the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate for office and industrial uses. The City of Maumee also enters into various contracts with the benefitting business and either Maumee City, Anthony Wayne Local, or Springfield Local School Districts for payments in lieu of taxes when required by Section 5709.82 of the Ohio Revised Code.

Income Tax Abatement Programs

The City of Maumee created the Job Creation and Retention Grant and Mini Grant programs in 1991 and 2010 respectively. The purpose of the program is to maintain Maumee's competitiveness as a site for location of new businesses and the expansion of existing businesses. Pursuant to Ohio Revised Code Chapter 718 and City ordinance, the City provides an incentive to the company based upon the company's gross annual payroll, the amount of income tax generated annually and the number of jobs created or retained by the business. The abatement is administered as a refund based upon the company's payroll taxes. Also, the time period of the incentive in years, is determined by how many new jobs are to be created by the company. The cap on the incentive is \$20,000 per year, with an incentive period of no more than 10 years.

City Council's Incentive Criteria for Decision Making

The City of Maumee has offered tax incentives and **Community Reinvestment Act** (CRA) and Enterprise Zone abatements to various businesses based upon substantial project investment in the City. As a general guideline, the City considers CRA applications for projects that have at least \$1,000,000 dollar real estate investment into a property, along with the retention and creation of at least 15 jobs with a payroll increasing at least \$250,000 dollars annually. For EZ applications, the City of Maumee generally requires projects to have at least \$3,000,000 dollar real estate investment into a property, along with the retention and creation of at least 50 jobs with a payroll of at least 150% of the minimum wage.

CITY OF MAUMEE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 7 – TAX ABATEMENT DISCLOSURES (Continued)

Below is the information relevant to the disclosure of those programs for the year ended December 31, 2016.

Property Tax Abatement	Total Amount of Taxes Abated (Incentives Abated For the Year 2016 In Actual Dollars)
<i>CRA</i>	
The Andersons (Rail Car Division)	\$84,682

JOB CREATION & RETENTION GRANTS PAYMENT SCHEDULE				
NAME	GRANT PERIOD	DATE PAID FOR		
		2016 BUDGET YEAR		
Hanson, Inc. - Add'l Grant	January ~ December		\$0	03396-W
Owens Community College	January ~ December		\$0	00510-W
Service Spring - Tollgate	January ~ December	4/15/2016	\$12,500	00714-W
Service Spring Corp (MMT)	January ~ December	4/15/2016	\$15,000	00175-J
Paramount Care	February ~ January	6/10/2016	\$12,000	01310-W
Willoughby Supply MMT	February ~ January	6/10/2016	\$3,000	00208-J
Matrix Technologies- AIP	March ~ February	6/10/2016	\$15,600	00043-Z
WLB Interventional LLC	April ~ March		\$0	04929-W
American Frame	May ~ April	6/10/2016	\$6,420	00121-W
Applied Energy Technologies	June ~ May		\$0	04593-W
Andersons	July ~ June		\$0	00424-W
JDI Group	July ~ June	9/16/2016	\$20,000	03163-W
Professional Skills Institute	July ~ June	9/16/2016	\$8,700	04668-W
Hanson, Inc. - Base Grant	August ~ July	9/16/2016	\$12,000	03396-W
Virtual Technologies Group	August ~ July	9/16/2016	\$8,000	04900-W
Berry Plastics	September ~ August		\$15,300	04690-W/04706-W
Westhaven/Omnicare	September ~ August		\$17,800	00223-Z
Surface Combustion	October ~ September		\$12,000	00779-W
Dana Corp	November ~ October	4/15/2016	\$20,000	
United Collections Bureau	November ~ October	4/15/2016	\$19,100	03339-W
Therma Tru Corp	December~November		\$0	00149-Z
TOTAL GRANTS PAID IN 2016			\$197,420	

CITY OF MAUMEE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 8 - RECEIVABLES

At December 31, 2016, receivables, which are recorded net of allowance for doubtful accounts, consisted of taxes, accounts receivable, interest, special assessments, due from other funds, loans, and intergovernmental receivables to be received in the following reporting period except for special assessments.

NOTE 9 – TRANSFERS

Following is a summary of transfers in and out for all funds for 2016:

	Transfers In:		
Transfers Out:	Water Fund	Nonmajor Governmental Funds	Total
General Fund	\$5,000	\$479,000	\$484,000
Income Tax "B" (.5%) Fund	0	3,886,487	3,886,487
Fallen Timbers TIF Fund	0	620,298	620,298
Nonmajor Governmental Funds	0	25,000	25,000
	\$5,000	\$5,010,785	\$5,015,785

Transfers are used to (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them; (3) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; (4) for capital purchases authorized by council; and (5) move revenues to the permanent improvement fund; (6) upon completion of projects, excess funds were transferred back to the originating fund.

All transfers were made in accordance with Ohio Revised Code sections 5705.14, 5705.15, and 5705.16.

NOTE 10 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2016 consist of the following receivables and payables:

Fund	Receivable	Payable
Governmental Funds:		
Income Tax "B" (.5%) Fund	\$441,310	\$0
Other Governmental Funds	0	454,850
Total Governmental Funds	441,310	454,850
Enterprise Funds:		
Water Fund	6,770	0
Sewer Fund	6,770	0
Total Enterprise Funds	13,540	0
Totals	\$454,850	\$454,850

CITY OF MAUMEE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 - INTERFUND RECEIVABLES AND PAYABLES (Continued)

The interfund loans receivable/payable are amounts that have been advanced from one fund to another and will be repaid during the following reporting period.

On the Statement of Net Position, the Governmental Activities reported an internal balance at December 31, 2016 of \$72,699, which was offset in the Business-Type Activities by the same amount.

NOTE 11 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2016:

Historical Cost:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
<i>Capital assets not being depreciated:</i>				
Land	\$7,179,540	\$0	\$0	\$7,179,540
Construction in Progress	1,312,653	904,210	(1,094,142)	1,122,721
Subtotal	8,492,193	904,210	(1,094,142)	8,302,261
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	55,717,390	973,687	(18,749)	56,672,328
Machinery and Equipment	16,433,000	2,134,312	(394,948)	18,172,364
Infrastructure	54,418,644	2,675,274	(143,678)	56,950,240
Subtotal	126,569,034	5,783,273	(557,375)	131,794,932
Total Cost	\$135,061,227	\$6,687,483	(\$1,651,517)	\$140,097,193

Accumulated Depreciation:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Buildings and Improvements	(\$19,570,877)	(\$1,783,689)	\$8,749	(\$21,345,817)
Machinery and Equipment	(10,406,731)	(945,612)	316,257	(11,036,086)
Infrastructure	(20,294,050)	(996,081)	141,456	(21,148,675)
Total Depreciation	(\$50,271,658)	(\$3,725,382) *	\$466,462	(\$53,530,578)
<i>Net Value:</i>	\$84,789,569			\$86,566,615

CITY OF MAUMEE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 11 - CAPITAL ASSETS (continued)

A. Governmental Activities Capital Assets (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$948,596
Public Health and Welfare Services	2,086
Basic Utility Services	232,963
Leisure Time Activities	588,793
Community Environment	18,064
Transportation	1,407,505
General Government	<u>527,375</u>
Total Depreciation Expense	<u><u>\$3,725,382</u></u>

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2016:

Historical Cost:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
<i>Capital assets not being depreciated:</i>				
Land	\$118,864	\$0	\$0	\$118,864
Construction in Progress	3,549	0	0	3,549
	<u>122,413</u>	<u>0</u>	<u>0</u>	<u>122,413</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	22,442,345	282,932	0	22,725,277
Machinery and Equipment	2,088,887	125,872	(18,559)	2,196,200
	<u>24,531,232</u>	<u>408,804</u>	<u>(18,559)</u>	<u>24,921,477</u>
Total Cost	<u><u>\$24,653,645</u></u>	<u><u>\$408,804</u></u>	<u><u>(\$18,559)</u></u>	<u><u>\$25,043,890</u></u>

Accumulated Depreciation:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Buildings and Improvements	(\$14,077,261)	(\$436,536)	\$0	(\$14,513,797)
Machinery and Equipment	(1,457,101)	(101,220)	18,559	(1,539,762)
Total Depreciation	<u><u>(\$15,534,362)</u></u>	<u><u>(\$537,756)</u></u>	<u><u>\$18,559</u></u>	<u><u>(\$16,053,559)</u></u>
<i>Net Value:</i>	<u><u>\$9,119,283</u></u>			<u><u>\$8,990,331</u></u>

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 12 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

CITY OF MAUMEE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$878,873 for 2016.

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

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

CITY OF MAUMEE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>Police</u>	<u>Firefighters</u>
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2016 through December 31, 2016	12.25 %	12.25 %
2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2016 through December 31, 2016	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$173,417 for 2016.

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

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of Net Pension Liability	\$9,975,068	\$8,681,728	\$18,656,796
Proportionate Share of Net Pension Liability - 2016	0.057589%	0.134955%	
Proportionate Share of Net Pension Liability - 2015	0.059011%	0.138147%	
Percentage Change	<u>-0.001422%</u>	<u>-0.003192%</u>	
Pension Expense	\$1,330,731	\$1,023,881	\$2,354,612

CITY OF MAUMEE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$2,932,047	\$1,420,179	\$4,352,226
Change in Proportionate Share	0	(7,126)	(7,126)
City contributions subsequent to the measurement date	<u>878,873</u>	<u>591,979</u>	<u>1,470,852</u>
Total Deferred Outflows of Resources	<u>\$3,810,920</u>	<u>\$2,005,032</u>	<u>\$5,815,952</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$195,752	\$24,378	\$220,130
Change in Proportionate Share	<u>(3,014)</u>	<u>0</u>	<u>(3,014)</u>
Total Deferred Inflows of Resources	<u>\$192,738</u>	<u>\$24,378</u>	<u>\$217,116</u>

\$1,470,852 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2017	\$641,267	\$367,399	\$1,008,666
2018	688,151	367,399	1,055,550
2019	746,369	367,399	1,113,768
2020	663,522	292,070	955,592
2021	0	(4,697)	(4,697)
2022	<u>0</u>	<u>(895)</u>	<u>(895)</u>
Total	<u>\$2,739,309</u>	<u>\$1,388,675</u>	<u>\$4,127,984</u>

Actuarial Assumptions - OPERS

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

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

CITY OF MAUMEE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

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

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 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 (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$15,892,722	\$9,975,068	\$4,983,716

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

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

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

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized below:

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

* levered 2x

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

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$11,450,037	\$8,681,728	\$6,336,698

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 13 – POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (“OPERS”)

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2016, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 13 – POST-EMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

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

The City's contributions for health care to the OPERS for the years ending December 31, 2016, 2015, and 2014 were \$146,479, \$157,732 and \$158,649, respectively, which were equal to the required contributions for each year.

B. Ohio Police and Fire Pension Fund (“OP&F”)

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F’s website at www.op-f.org.

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

CITY OF MAUMEE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 13 – POST-EMPLOYMENT BENEFITS (Continued)

B. Ohio Police and Fire Pension Fund (“OP&F”) (Continued)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2016, 2015, and 2014 were \$15,578, \$15,236 and \$15,175 for police, which were equal to the required contributions for each year.

CITY OF MAUMEE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 14 – COMPENSATED ABSENCES

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees expected to become eligible in the future to receive such payments.

At December 31, 2016, the City's accumulated, unpaid compensated absences amounted to \$2,349,309, of which \$2,131,458 is recorded as a liability of the Governmental Activities and \$217,851 is recorded as a liability of the Business-Type Activities.

NOTE 15 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2016 was as follows:

	Balance December 31, 2015	Additions	(Reductions)	Balance December 31, 2016	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds					
2.330% Fallen Timbers Phase One	\$3,645,000	\$0	(\$200,000)	\$3,445,000	\$210,000
1.250% Fallen Timbers Phase One	3,225,000	0	(170,000)	3,055,000	170,000
2.000% Improvement Bonds - Service Building	3,730,000	0	(180,000)	3,550,000	180,000
Premium	154,053	0	(9,061)	144,992	0
2.000% Improvement Bonds	3,930,000	0	(50,000)	3,880,000	50,000
Premium	181,747	0	(20,193)	161,554	0
2.000% Improvement Bonds	8,745,000	0	(1,255,000)	7,490,000	1,295,000
Total General Obligation Bonds	23,610,800	0	(1,884,254)	21,726,546	1,905,000
Compensated Absences	2,282,720	2,131,458	(2,282,720)	2,131,458	893,127
Net Pension Liability	13,356,483	4,388,685	(315,799)	17,429,369	0
Workers Compensation Liability	5,874	3,836	0	9,710	0
Ohio Police and Fire Pension Accrued Liability	46,282	0	(1,570)	44,712	1,637
Total Governmental Activities					
Long-Term Debt	\$39,302,159	\$6,523,979	(\$4,484,343)	\$41,341,795	\$2,799,764

CITY OF MAUMEE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 15 - LONG-TERM DEBT (Continued)

	Balance December 31, 2015	Additions	(Reductions)	Balance December 31, 2016	Due Within One Year
Business-Type Activities:					
General Obligation Bond:					
2.000% Improvement Bonds - Meters	\$840,000	\$0	(\$115,000)	\$725,000	\$115,000
Premium	31,514	0	(4,502)	27,012	0
Total General Obligation Bonds	871,514	0	(119,502)	752,012	115,000
Compensated Absences	\$218,231	\$217,851	(\$218,231)	\$217,851	\$77,578
Net Pension Liability	917,467	331,071	(21,111)	1,227,427	0
Total Business-Type Activities Long-Term Debt	<u>\$2,007,212</u>	<u>\$548,922</u>	<u>(\$358,844)</u>	<u>\$2,197,290</u>	<u>\$192,578</u>

A. Principal and Interest Requirements

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2016, follows:

Years	Governmental General Obligation Bonds		Business-Type General Obligation Bonds		Ohio Police and Fire Pension Accrued Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$1,905,000	\$585,948	\$115,000	\$16,100	\$1,637	\$1,883
2018	1,975,000	547,472	115,000	13,800	1,708	1,813
2019	2,035,000	506,654	120,000	11,500	1,781	1,739
2020	2,115,000	463,806	120,000	9,100	1,857	1,663
2021	2,195,000	418,368	125,000	6,700	1,937	1,583
2022-2026	7,750,000	1,256,076	130,000	3,575	11,008	6,503
2027-2031	3,170,000	353,012	0	0	13,583	4,018
2032-2035	275,000	8,938	0	0	11,201	962
Totals	<u>\$21,420,000</u>	<u>\$4,140,274</u>	<u>\$725,000</u>	<u>\$60,775</u>	<u>\$44,712</u>	<u>\$20,164</u>

B. Ohio Police and Fire Pension Fund

The City's liability for past service costs relating to the Ohio Police and Fire Pension Fund at December 31, 2016 was \$64,876 in principal and interest payments through the year 2035. Only the principal amount of \$44,712 is included in the long-term liabilities of the City.

CITY OF MAUMEE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2016

NOTE 15 - LONG-TERM DEBT (Continued)

C. Refunded General Obligation Debt

On May 1, 2014, the City refunded \$9,390,000 of outstanding bonds (the “2005 Bonds”) with an interest rate of 4.00% with \$9,035,000 refunding bonds issued in April 2014. A portion of the principal amount of the 2005 bonds was paid off during 2014. The refunding was undertaken for the purpose of reducing interest rates and debt service on the prior bonds. This transaction resulted in a savings to the City of \$646,767.

NOTE 16 - CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from hospital and various industrial revenues. Ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2016, there were fourteen series of Industrial Revenue Bonds and one series of Hospital Revenue Bonds outstanding. The aggregate principal amount payable for the fourteen Industrial Revenue Bonds issued prior to January 1, 1996, could not be determined, however, their original issue amounts totaled \$11,430,000.

CITY OF MAUMEE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 17 - CONSTRUCTION COMMITMENTS

As of December 31, 2016, the City had the following commitments with respect to capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Michigan Avenue Area Storm Water	\$12,544	2017
Conant St. Improvement Design	50,909	2017
AWT Safety Study	1,134	2017
Conant Street Safety Upgrade - Construction	78,394	2017
Sackett St. Improvements - Engineering	42,476	2017
BUSTR Service Building	1,457	2017
Service Department Storage Building - Engineering	27,658	2017
Transformer install	3,435	2017
Flooring at Senior Center	20,555	2017
Transformer install	24,366	2017
Roofing at Fire Station	21,500	2017
Transformer install	27,802	2017
Dussel/Salisburg Signal Timing	2,000	2017
214 Illinois Remedial Action Plan	5,500	2017
Signal Improvement River/Detroit/Scott	19,825	2017
Aerial bucket truck	92,295	2017
Water tower painting	7,000	2017
Michignan Ave Pump Station SCADA & rebuild	40,350	2017
Alarm monitoring system at pump station	13,062	2017
Cass Road Pump Station Design	42,983	2017
Total	<u>\$535,245</u>	

CITY OF MAUMEE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 18 - INSURANCE AND RISK MANAGEMENT (Continued)

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. In 1994, the City joined the Ohio Government Risk Management Plan (the "OGRMP"), a public entity risk plan formed under Section 2744.081 of the Ohio Revised Code that operates as a common risk management and insurance program for 585 member political subdivisions. The City pays an annual premium to the OGRMP for its general insurance coverage. The agreement for formation of the OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure all claims in excess of a member's deductible through commercial insurance and reinsurance companies.

The City maintains a self-funded health insurance program with claims processed by CBCA Administrators, Inc. on behalf of the City. A separate Medical Care - Self Insured Fund (an internal service fund) was created in 1990 to account for and finance the health insurance program. As an integral part of the health insurance program, a reinsurance policy has been purchased covering claims in excess of \$100,000 per individual per year up to a maximum of \$1,000,000 per year. Settled claims have not exceeded the commercial coverage limits in any of the past three fiscal years.

All funds of the City from which employee salaries are paid participate in the health insurance program and make payments to the Medical Care - Self Insured Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. Total contributions to the program during 2016 were \$3,261,782. The claims liability of \$75,667 reported in the Medical Care - Self Insured Fund at December 31, 2016 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30 "Risk Management Omnibus," which requires that a liability for claims be reported if information prior to 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.

Changes in the Medical Care - Self Insured Fund's claims liability amount in fiscal years 2014, 2015 and 2016 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Claims Liability at Fiscal Year End
2014	\$192,982	2,804,865	(2,695,099)	\$302,748
2015	302,748	2,402,941	(2,533,676)	172,013
2016	172,013	2,590,315	(2,686,661)	75,667

The City pays unemployment claims to the State of Ohio as incurred.

The City continues to carry commercial insurance for other risks of loss, including employee life insurance. There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF MAUMEE, OHIO

Schedule of City's Proportionate Share of the Net Pension Liability Last Three Years

Ohio Public Employees Retirement System

Year	2013	2014	2015
City's proportion of the net pension liability (asset)	0.059011%	0.059011%	0.057589%
City's proportionate share of the net pension liability (asset)	\$6,956,628	\$7,117,385	\$9,975,068
City's covered-employee payroll	\$7,668,054	\$7,318,975	\$7,980,283
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	90.72%	97.25%	125.00%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2013	2014	2015
City's proportion of the net pension liability (asset)	0.1381465%	0.1381465%	0.134955%
City's proportionate share of the net pension liability (asset)	\$6,728,168	\$7,156,565	\$8,681,728
City's covered-employee payroll	\$2,878,203	\$2,832,245	\$2,881,787
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	233.76%	252.68%	301.26%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability.

CITY OF MAUMEE, OHIO

Schedule of City Contributions Last Four Years

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$996,847	\$878,277	\$957,634	\$878,873
Contributions in relation to the contractually required contribution	<u>996,847</u>	<u>878,277</u>	<u>957,634</u>	<u>878,873</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$7,668,054	\$7,318,975	\$7,980,283	\$7,323,942
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$491,597	\$576,645	\$578,951	\$591,979
Contributions in relation to the contractually required contribution	<u>491,597</u>	<u>576,645</u>	<u>578,951</u>	<u>591,979</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$2,878,203	\$2,832,245	\$2,881,787	\$2,946,635
Contributions as a percentage of covered-employee payroll	17.08%	20.36%	20.09%	20.09%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.