

**CITY OF MAPLE HEIGHTS  
CUYAHOGA COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2013**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • Auditor of State

City Council  
City of Maple Heights  
5353 Lee Road  
Maple Heights, OH 44137

We have reviewed the *Independent Auditor's Report* of the City of Maple Heights, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Maple Heights is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

September 25, 2014

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**CITY OF MAPLE HEIGHTS  
CUYAHOGA COUNTY, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

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*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Members of City Council  
City of Maple Heights, Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Heights, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Heights, Ohio, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 21 to the financial statements, there is substantial doubt about the City's ability to continue as a going concern. The financial statements do not include any adjustments that might result from this uncertainty. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2014, on our consideration of the City of Maple Heights, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Maple Heights, Ohio's internal control over financial reporting and compliance.

James G. Zupka  
CPA, President

Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2014.09.12 10:55:48 -0400

James G. Zupka, CPA, Inc.  
Certified Public Accountants

August 18, 2014

**City of Maple Heights, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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The discussion and analysis of the City of Maple Heights's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the basic financial statements and notes to enhance their understanding of the City's financial performance.

### **Financial Highlights**

As you proceed through this discussion and analysis you will notice that many major revenue sources are down from the previous fiscal year. While expenses decreased slightly, they still outpaced the revenues. On April 10, 2014, the State Auditor's Office placed the City of Maple Heights into Fiscal Watch. As a result of this designation, the City has worked to put in place a plan of action to eliminate this situation.

### **Using This Annual Financial Report**

This discussion and analysis is intended to serve as an introduction to the City of Maple Heights's basic financial statements. These statements are organized so that readers can understand the City as a financial whole or as an entire operating entity. The statements then proceed to provide an increasing detailed look at specific financial conditions.

The statement of Net Position and Statement of Activities provide information about the activities of the whole City. They provide both an aggregate view of the City's finances in addition to a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

### ***The City of Maple Heights as a Whole***

#### *Statement of Net Position and the Statement of Activities*

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

The *statement of net position* presents information on all of the City of Maple Heights's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between all the elements reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Maple Heights is improving or deteriorating. However, the analysis on the City's condition must also look at the City's tax base, property tax evaluation and the condition of the City's assets.

The *statement of activities* presents information showing how the government's net position changed during the recent year. All changes in net position are reported as soon as the underlying event giving rise to the

**City of Maple Heights, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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change occurs, *regardless of the timing of cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Maple Heights that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Maple Heights include general government, security of persons and property (police and fire), public health services, leisure time activities, community environment, basic utility services and transportation. Business-type activities include solid waste collections.

***Reporting the City's Most Significant Funds***

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

**Governmental funds** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on balances of expendable resources available at the end of the year.

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

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund which is considered to be a major fund. Data from the other governmental funds are combined into single, aggregated presentation.

The City of Maple Heights adopts an annual appropriated budget for each of its funds to demonstrate budgetary compliance.

**Proprietary Funds** The City's only proprietary fund is the solid waste collection enterprise fund. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

**Fiduciary Funds** The City uses agency funds to account for the mayor's court, escrow deposits and construction deposits. The City assigns an agency fund to account for these receipts and disbursements.

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**Notes to the Basic Financial Statements** The notes provide additional information that are essential for a full understanding of the data provided in the government-wide and fund financial statements.

**The City as a Whole**

As noted earlier, the Statement of Net Position looks at the City as a whole. The following table provides a summary of the City's net position for 2013 compared to 2012.

**Table 1**  
*Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and Other Assets	\$10,696,274	\$12,570,480	\$2,098,239	\$1,781,210	\$12,794,513	\$14,351,690
Capital Assets, Net	50,633,235	51,932,317	0	0	50,633,235	51,932,317
<b>Total Assets</b>	<b>61,329,509</b>	<b>64,502,797</b>	<b>2,098,239</b>	<b>1,781,210</b>	<b>63,427,748</b>	<b>66,284,007</b>
<b>Deferred Outflows of Resources</b>	<b>29,245</b>	<b>35,866</b>	<b>0</b>	<b>0</b>	<b>29,245</b>	<b>35,866</b>
<b>Liabilities</b>						
Current Liabilities	1,759,855	1,462,369	108,965	106,652	1,868,820	1,569,021
Long-Term Liabilities						
Due Within One Year	2,253,566	1,511,159	0	0	2,253,566	1,511,159
Due in More Than One Year	18,607,854	19,953,406	0	0	18,607,854	19,953,406
<b>Total Liabilities</b>	<b>22,621,275</b>	<b>22,926,934</b>	<b>108,965</b>	<b>106,652</b>	<b>22,730,240</b>	<b>23,033,586</b>
<b>Deferred Inflows of Resources</b>	<b>3,283,076</b>	<b>3,560,117</b>	<b>0</b>	<b>0</b>	<b>3,283,076</b>	<b>3,560,117</b>
<b>Net Position</b>						
Net Investment in Capital Assets	33,611,686	34,230,411	0	0	33,611,686	34,230,411
Restricted for:						
Capital Projects	0	320,192	0	0	0	320,192
Debt Service	210,760	0	0	0	210,760	0
Other Purposes	1,196,553	823,835	0	0	1,196,553	823,835
Unrestricted	435,404	2,677,174	1,989,274	1,674,558	2,424,678	4,351,732
<b>Total Net Position</b>	<b>\$35,454,403</b>	<b>\$38,051,612</b>	<b>\$1,989,274</b>	<b>\$1,674,558</b>	<b>\$37,443,677</b>	<b>\$39,726,170</b>

Total net position for governmental activities decreased from 2012 levels. This was largely due to a decrease in cash as the City's expenses outpaced their revenues. Total net position for business-type activity increased as the City closely monitored the spending in the solid waste collection fund.

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*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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

**Table 2**  
*Change in Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$2,935,844	\$4,186,540	\$1,556,775	\$1,714,812	\$4,492,619	\$5,901,352
Operating Grants and Contributions	1,248,004	804,403	0	0	1,248,004	804,403
Capital Grants and Contributions	202,944	250,128	0	0	202,944	250,128
Total Program Revenues	4,386,792	5,241,071	1,556,775	1,714,812	5,943,567	6,955,883
General Revenues						
Property Taxes	4,186,537	5,314,478	0	0	4,186,537	5,314,478
Income Taxes	6,703,902	8,001,551	0	0	6,703,902	8,001,551
Grants and Entitlements	1,627,496	1,563,732	0	0	1,627,496	1,563,732
Franchise Taxes	345,736	276,219	0	0	345,736	276,219
Investment Earnings	523	610	0	0	523	610
Gain on Sale of Capital Assets	0	6,090	0	0	0	6,090
Other	238,139	46,908	0	0	238,139	46,908
Total General Revenues	13,102,333	15,209,588	0	0	13,102,333	15,209,588
Total Revenues	17,489,125	20,450,659	1,556,775	1,714,812	19,045,900	22,165,471
<b>Program Expenses</b>						
General Government	5,362,293	5,452,571	0	0	5,362,293	5,452,571
Security of Persons and Property	9,656,354	9,828,283	0	0	9,656,354	9,828,283
Public Health Services	88,850	88,850	0	0	88,850	88,850
Transportation	1,630,091	1,957,097	0	0	1,630,091	1,957,097
Community Environment	899,298	687,475	0	0	899,298	687,475
Basic Utility Services	966,474	916,648	0	0	966,474	916,648
Leisure Time Activities	757,032	857,237	0	0	757,032	857,237
Interest	725,942	689,293	0	0	725,942	689,293
Solid Waste Collection	0	0	1,242,058	1,349,240	1,242,058	1,349,240
Total Program Expenses	20,086,334	20,477,454	1,242,058	1,349,240	21,328,392	21,826,694
Increase (Decrease) in Net Position	(2,597,209)	(26,795)	314,717	365,572	(2,282,492)	338,777
Net Position, Beginning of Year	38,051,612	38,078,407	1,674,557	1,308,986	39,726,169	39,387,393
Net Position, End of Year	\$35,454,403	\$38,051,612	\$1,989,274	\$1,674,558	\$37,443,677	\$39,726,170

**Governmental Activities**

Several revenue sources fund governmental activities with City municipal income tax being the largest contributor. The City has a current municipal income tax rate of 2.5 percent and grants a 2.5 percent credit to residents who pay municipal income tax to another city. Property tax collections are the next largest source of general revenue for governmental activities. The City collects 3.2 mills of inside millage and has approved 12.3 mills of outside millage. The outside millage is generated from a 7.3 mill general fund operating levy, 1 mill street lighting levy, a 2 mill police levy, and a 2 mill fire levy. The City periodically reviews its fee structure to ensure that all fees constitute a fair charge for the cost of providing government services.

**City of Maple Heights, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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Major expense activities, under the accrual basis of accounting, included: security of persons and property expenses which accounted for 48.07 percent of total program expenses; general government expenses which accounted for 26.70 percent; basic utility services which accounted for 4.81 percent; and transportation which accounted for 8.12 percent. Overall, there was small decrease in program expenses of \$391,120 from 2012 program expense totals. The City is committed to providing the basic services that our residents expect.

In 2013, the recreation banner fund was reclassified from an enterprise fund to part of the general fund, due to the fund no longer meeting the requirements to be reported as an enterprise fund. In 2012, the recreation banner fund had a fund balance of \$1 and no activity.

***Business-Type Activities***

The City's business-type activities are comprised of one enterprise fund, which is the City's solid waste collection fund. In 2013, charges for services for the collection of garbage fees are the only revenue source for the fund. As a result of garbage collections decreasing during the year, the City also decreased the expenses in order to maintain a positive balance for the year.

***Governmental Funds Financial Analysis***

A review of the City's governmental funds provides information on near-term flows and balances of expendable resources and serves as a useful measure of a government's net resources. Governmental fund information can be found on page 16 and is accounted for using the modified accrual basis of accounting.

The City's only major governmental fund is the general fund. The general fund expenditures exceeded revenues for the year after transfers out are included, with revenues decreasing greatly from the previous year, and expenditures staying consistent with the previous year. The decrease in revenues is largely due to a decrease in municipal income tax collections as well as a decrease in charges for services.

**General Fund Budgeting Highlights**

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of 2013, the City amended its general fund accordingly to avoid waiting until the end of the year to adjust appropriations. The control level of the general fund is by object within each department. This allows the City to make small interdepartmental budget modifications within departments. There was a decrease in revenues from the final budget to actual due to a decrease in property taxes, municipal income taxes, intergovernmental and fees, licenses and permits received than expected. There was a slight increase in actual expenditures made compared to the final budget. This was due to monitoring the City's budget to keep their spending in line with their estimates.

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*Management's Discussion and Analysis*  
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*Unaudited*

**Capital Assets and Debt Administration**

***Capital Assets***

Table 3 shows 2013 balances of capital assets as compared to 2012.

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

	Governmental Activities	
	2013	2012
Land	\$310,031	\$310,031
Construction in Progress	956,460	2,065,027
Buildings and Improvements	5,467,679	5,794,845
Machinery and Equipment	527,592	583,869
Vehicles	1,642,413	1,918,927
Infrastructure	41,729,060	41,259,618
Total Capital Assets	\$50,633,235	\$51,932,317

For 2013, the primary additions for governmental activities included the completion of road improvements to Broadway Avenue which included a road reconstruction and sewer improvements. The City also purchased two new police vehicles as well as new ambulance equipment. These assets were obtained through capital leases. Additional information concerning capital assets can be found in Note 9 to the basic financial statements.

***Debt***

Table 4 summarizes the City's long-term obligations outstanding at December 31, 2013.

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

	Governmental Activities	
	2013	2012
General Obligation Bonds	\$15,158,325	\$15,461,037
OWDA Loans	593,096	813,612
OPWC Loans	1,505,164	1,509,401
Police and Fire Pension	667,458	330,734
Capital Leases	312,519	268,832
Compensated Absences	2,530,468	2,921,520
Workers' Compensation Liability	94,390	159,429
Total	\$20,861,420	\$21,464,565

At December 31, 2013, the general obligation bonds outstanding consist of the 2004 Various Purpose Bonds and 2010 Various Purpose Refunding Bonds. The OWDA and OPWC loans outstanding are for

**City of Maple Heights, Ohio**  
*Management's Discussion and Analysis*  
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infrastructure improvement projects, which are being repaid using sanitation fees from the sewer maintenance fund. The other long-term loans consist of police and fire pension liability, capital leases for police vehicles and ambulance equipment, compensated absences and worker's compensation liability. Additional information concerning debt issuances can be found in Note 11 to the basic financial statements.

**Current Related Financial Activities**

The City is diligently working to maintain a careful watch over its financial operations. The City remains open to providing the Citizens of Maple Heights with full disclosure of the financial position of the City.

**Contacting the City of Maple Heights' Financial Management**

This financial report is designed to provide the citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Director, City of Maple Heights, 5353 Lee Road, Maple Heights, Ohio 44095.

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## Basic Financial Statements

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**City of Maple Heights, Ohio**

*Statement of Net Position*

*December 31, 2013*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents in Segregated Accounts	\$24,747	\$0	\$24,747
Accounts Receivable	1,629,700	1,544,580	3,174,280
Internal Balances	(553,659)	553,659	0
Intergovernmental Receivable	1,102,008	0	1,102,008
Municipal Income Taxes Receivable	3,658,642	0	3,658,642
Materials and Supplies Inventory	61,428	0	61,428
Property Taxes Receivable	4,773,408	0	4,773,408
Nondepreciable Capital Assets	1,266,491	0	1,266,491
Depreciable Capital Assets, Net	49,366,744	0	49,366,744
<i>Total Assets</i>	<u>61,329,509</u>	<u>2,098,239</u>	<u>63,427,748</u>
<b>Deferred Outflows of Resources</b>			
Deferred Amount on Refunding	29,245	0	29,245
<b>Liabilities</b>			
Accounts Payable	634,063	108,965	743,028
Accrued Wages	271,903	0	271,903
Intergovernmental Payable	394,012	0	394,012
Due to Agency Funds	201,900	0	201,900
Accrued Interest Payable	75,977	0	75,977
Claims Payable	182,000	0	182,000
Long-Term Liabilities:			
Due Within One Year	2,253,566	0	2,253,566
Due In More Than One Year	18,607,854	0	18,607,854
<i>Total Liabilities</i>	<u>22,621,275</u>	<u>108,965</u>	<u>22,730,240</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	3,283,076	0	3,283,076
<b>Net Position</b>			
Net Investment in Capital Assets	33,611,686	0	33,611,686
Restricted for:			
Debt Service	210,760	0	210,760
Sewer Maintenance	928,112	0	928,112
Street Maintenance	268,441	0	268,441
Unrestricted	435,404	1,989,274	2,424,678
<i>Total Net Position</i>	<u>\$35,454,403</u>	<u>\$1,989,274</u>	<u>\$37,443,677</u>

See Accompanying Notes to the Basic Financial Statements

**City of Maple Heights, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2013

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Current:				
General Government	\$5,362,293	\$531,096	\$37,334	\$202,944
Security of Persons and Property	9,656,354	1,406,784	273,157	0
Public Health Services	88,850	9,678	0	0
Transportation	1,630,091	0	898,189	0
Community Environment	899,298	129,178	4,240	0
Basic Utility Services	966,474	793,816	0	0
Leisure Time Activities	757,032	65,292	35,084	0
Interest and Fiscal Charges	725,942	0	0	0
<i>Total Governmental Activities</i>	20,086,334	2,935,844	1,248,004	202,944
<b>Business-Type Activities:</b>				
Solid Waste Collection	1,242,058	1,556,775	0	0
<i>Total</i>	\$21,328,392	\$4,492,619	\$1,248,004	\$202,944

**General Revenues**

Property Taxes Levied for:

General Purposes

Debt Service

Street Lighting

Police Pension

Fire Pension

Police Levy

Fire Levy

Municipal Income Tax Levied for General Purposes

Grants and Entitlements not Restricted to Specific Programs

Franchise Taxes

Interest

Other

*Total General Revenues*

Change in Net Position

*Net Position Beginning of Year*

*Net Position End of Year*

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$4,590,919)	\$0	(\$4,590,919)
(7,976,413)	0	(7,976,413)
(79,172)	0	(79,172)
(731,902)	0	(731,902)
(765,880)	0	(765,880)
(172,658)	0	(172,658)
(656,656)	0	(656,656)
(725,942)	0	(725,942)
(15,699,542)	0	(15,699,542)
<u>0</u>	<u>314,717</u>	<u>314,717</u>
(15,699,542)	314,717	(15,384,825)
1,971,600	0	1,971,600
709,367	0	709,367
268,851	0	268,851
80,655	0	80,655
80,656	0	80,656
537,704	0	537,704
537,704	0	537,704
6,703,902	0	6,703,902
1,627,496	0	1,627,496
345,736	0	345,736
523	0	523
238,139	0	238,139
<u>13,102,333</u>	<u>0</u>	<u>13,102,333</u>
(2,597,209)	314,717	(2,282,492)
<u>38,051,612</u>	<u>1,674,557</u>	<u>39,726,169</u>
<u>\$35,454,403</u>	<u>\$1,989,274</u>	<u>\$37,443,677</u>

**City of Maple Heights, Ohio**

*Balance Sheet  
Governmental Funds  
December 31, 2013*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and Cash Equivalents in Segregated Accounts	\$24,747	\$0	\$24,747
Accounts Receivable	580,255	1,049,445	1,629,700
Intergovernmental Receivable	545,310	556,698	1,102,008
Municipal Income Taxes Receivable	3,658,642	0	3,658,642
Materials and Supplies Inventory	35,438	25,990	61,428
Interfund Receivable	0	1,004,754	1,004,754
Property Taxes Receivable	2,248,122	2,525,286	4,773,408
<i>Total Assets</i>	<u>\$7,092,514</u>	<u>\$5,162,173</u>	<u>\$12,254,687</u>
<b>Liabilities</b>			
Accounts Payable	\$374,999	\$259,064	\$634,063
Accrued Wages	221,322	50,581	271,903
Intergovernmental Payable	340,860	53,152	394,012
Due to Agency Funds	201,900	0	201,900
Interfund Payable	1,007,645	550,768	1,558,413
Claims Payable	182,000	0	182,000
<i>Total Liabilities</i>	<u>2,328,726</u>	<u>913,565</u>	<u>3,242,291</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,546,223	1,736,853	3,283,076
Unavailable Revenue	5,003,940	2,187,991	7,191,931
<i>Total Deferred Inflows of Resources</i>	<u>6,550,163</u>	<u>3,924,844</u>	<u>10,475,007</u>
<b>Fund Balances</b>			
Nonspendable	35,438	25,990	61,428
Restricted	0	1,060,523	1,060,523
Unassigned	(1,821,813)	(762,749)	(2,584,562)
<i>Total Fund Balances</i>	<u>(1,786,375)</u>	<u>323,764</u>	<u>(1,462,611)</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$7,092,514</u>	<u>\$5,162,173</u>	<u>\$12,254,687</u>

See Accompanying Notes to the Basic Financial Statements

**City of Maple Heights, Ohio**

*Reconciliation of Total Governmental Fund Balances to*

*Net Position of Governmental Activities*

*December 31, 2013*

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<b>Total Governmental Funds Balances</b>		(\$1,462,611)
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		50,633,235
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable revenue in the funds:		
Delinquent Property Taxes	1,490,332	
Intergovernmental	991,754	
Municipal Income Taxes	3,365,801	
Charges for Services	1,303,863	
Fines and Forfeitures	1,900	
Contributions and Donations	1,059	
Franchise Taxes	37,222	
Total	<u>7,191,931</u>	7,191,931
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(75,977)
Deferred outflows of resources represent deferred charges on refunding which are not reported in the funds.		29,245
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(12,380,000)	
Capital Appreciation Bonds	(2,138,199)	
Premium on Bonds	(640,126)	
OWDA Loans Payable	(593,096)	
OPWC Loans Payable	(1,505,164)	
Capital Leases Payable	(312,519)	
Police and Fire Pension Payable	(667,458)	
Claims Payable	(94,390)	
Compensated Absences Payable	(2,530,468)	
Total	<u>(20,861,420)</u>	(20,861,420)
<i>Net Position of Governmental Activities</i>		<u><u>\$35,454,403</u></u>

See Accompanying Notes to the Basic Financial Statements

**City of Maple Heights, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2013*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$1,930,303	\$2,168,551	\$4,098,854
Municipal Income Taxes	6,644,938	0	6,644,938
Intergovernmental	1,135,223	2,094,126	3,229,349
Charges for Services	291,616	1,174,503	1,466,119
Fees, Licenses and Permits	1,712,221	35,624	1,747,845
Franchise Taxes	308,514	0	308,514
Fines and Forfeitures	36,167	0	36,167
Interest	523	0	523
Contributions and Donations	0	34,025	34,025
Other	103,124	135,015	238,139
<i>Total Revenues</i>	<u>12,162,629</u>	<u>5,641,844</u>	<u>17,804,473</u>
<b>Expenditures</b>			
Current:			
General Government	4,695,788	589,253	5,285,041
Security of Persons and Property	6,185,207	2,979,148	9,164,355
Public Health Services	88,850	0	88,850
Transportation	0	858,351	858,351
Community Environment	616,074	319,247	935,321
Basic Utility Services	405,310	130,919	536,229
Leisure Time Activities	627,601	37,774	665,375
Capital Outlay	0	642,453	642,453
Debt Service:			
Principal Retirement	27,950	877,069	905,019
Interest and Fiscal Charges	3,441	572,061	575,502
<i>Total Expenditures</i>	<u>12,650,221</u>	<u>7,006,275</u>	<u>19,656,496</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(487,592)</u>	<u>(1,364,431)</u>	<u>(1,852,023)</u>
<b>Other Financing Sources (Uses)</b>			
Inception of Capital Leases	59,103	79,598	138,701
OPWC Loans Issued	0	145,550	145,550
Transfers In	152,708	1,694,900	1,847,608
Transfers Out	(1,563,853)	(283,755)	(1,847,608)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,352,042)</u>	<u>1,636,293</u>	<u>284,251</u>
<i>Net Change in Fund Balances</i>	(1,839,634)	271,862	(1,567,772)
<i>Fund Balances Beginning of Year</i>	<u>53,259</u>	<u>51,902</u>	<u>105,161</u>
<i>Fund Balances End of Year</i>	<u>(\$1,786,375)</u>	<u>\$323,764</u>	<u>(\$1,462,611)</u>

See Accompanying Notes to the Basic Financial Statements

**City of Maple Heights, 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, 2013*

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**Net Change in Fund Balances - Total Governmental Funds** (\$1,567,772)

*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 depreciation exceeded capital outlay in the current period.

Capital Asset Additions	786,828	
Depreciation	(2,085,910)	
Total		(1,299,082)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds.

Property Taxes	87,683	
Municipal Income Taxes	58,964	
Intergovernmental	(185,989)	
Charges for Services	(316,187)	
Fines and Forfeitures	1,900	
Contributions and Donations	1,059	
Franchise Taxes	37,222	
Total		(315,348)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bonds	435,000	
OPWC Loans Payable	149,787	
OWDA Loans Payable	220,516	
Capital Leases Payable	95,014	
Accrued Police and Fire Pension Liability	4,702	
Total		905,019

Other financing sources in the governmental funds increased long-term liabilities in the statement of net position.

OPWC Loans Issued	(145,550)	
Inception of Capital Leases	(138,701)	
Total		(284,251)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position.

Accrued Interest	(11,531)	
Annual Accretion on Capital Appreciation Bonds	(175,178)	
Amortization of Accounting Loss	(6,621)	
Amortization of Bond Premium	42,890	
Total		(150,440)

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

Compensated Absences	391,052	
Claims	65,039	
Police and Fire Pension Payable	(341,426)	
Total		114,665

*Change in Net Position of Governmental Activities* (\$2,597,209)

See Accompanying Notes to the Basic Financial Statements

**City of Maple Heights, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$2,036,217	\$2,036,217	\$1,930,303	(\$105,914)
Municipal Income Taxes	7,285,000	7,285,000	6,954,513	(330,487)
Intergovernmental	1,319,000	1,319,000	1,071,205	(247,795)
Charges for Services	355,000	355,000	294,732	(60,268)
Fees, Licenses and Permits	2,046,399	2,046,399	1,841,311	(205,088)
Franchise Taxes	100,000	100,000	276,219	176,219
Interest	500	500	523	23
Contributions and Donations	711,500	711,500	0	(711,500)
Other	0	0	162,170	162,170
<i>Total Revenues</i>	13,853,616	13,853,616	12,530,976	(1,322,640)
<b>Expenditures</b>				
Current:				
General Government	4,736,815	4,620,708	4,411,187	209,521
Security of Persons and Property	5,846,023	5,953,327	6,121,063	(167,736)
Public Health Services	90,000	88,850	105,388	(16,538)
Community Environment	450,125	696,901	726,493	(29,592)
Basic Utility Services	350,218	353,530	399,851	(46,321)
Leisure Time Activities	692,625	669,029	648,587	20,442
<i>Total Expenditures</i>	12,165,806	12,382,345	12,412,569	(30,224)
<i>Excess of Revenues Over Expenditures</i>	1,687,810	1,471,271	118,407	329,379
<b>Other Financing Sources (Uses)</b>				
Advances Out	(63,466)	(63,466)	(63,466)	0
Transfers In	63,466	63,466	152,708	89,242
Transfers Out	(1,283,543)	(1,592,388)	(1,563,853)	28,535
<i>Total Other Financing Sources (Uses)</i>	(1,283,543)	(1,592,388)	(1,474,611)	117,777
<i>Net Change in Fund Balance</i>	404,267	(121,117)	(1,356,204)	447,156
<i>Fund Balance Beginning of Year</i>	(388,743)	(388,743)	(388,743)	0
Prior Year Encumbrances Appropriated	53,293	53,293	53,293	0
<i>Fund Balance End of Year</i>	\$68,817	(\$456,567)	(\$1,691,654)	\$447,156

See Accompanying Notes to the Basic Financial Statements

**City of Maple Heights, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Fund*  
*December 31, 2013*

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	<u>Solid Waste Collection</u>
<b>Assets</b>	
<i>Current Assets</i>	
Accounts Receivable	\$1,544,580
Interfund Receivable	<u>553,659</u>
<i>Total Assets</i>	2,098,239
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Accounts Payable	<u>108,965</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$1,989,274</u></u>

See Accompanying Notes to the Basic Financial Statements

**City of Maple Heights, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Enterprise Fund  
For the Year Ended December 31, 2013*

	Solid Waste Collection
<hr style="border-top: 3px double #000;"/>	
<b>Operating Revenue</b>	
Charges for Services	\$1,556,775
<b>Operating Expenses</b>	
Personal Services	19,653
Contractual Services	1,222,405
<i>Total Operating Expenses</i>	1,242,058
<i>Change in Net Position</i>	314,717
<i>Net Position Beginning of Year</i>	1,674,557
<i>Net Position End of Year</i>	\$1,989,274

See Accompanying Notes to the Basic Financial Statements

**City of Maple Heights, Ohio**  
*Statement of Cash Flows*  
*Enterprise Fund*  
For the Year Ended December 31, 2013

	Solid Waste Collection
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$1,478,239
Cash Payments to Suppliers for Goods and Services	(1,219,745)
Cash Payments for Employee Services and Benefits	(20,000)
<i>Net Cash Provided by Operating Activities</i>	238,494
<b>Cash Flows from Noncapital Financing Activities</b>	
Advances Out	(553,659)
Net Decrease in Cash and Cash Equivalents	(315,165)
<i>Cash and Cash Equivalents Beginning of Year</i>	315,165
<i>Cash and Cash Equivalents End of Year</i>	\$0
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$314,717
Increase in Accounts Receivable	(78,536)
Increase/(Decrease) in Liabilities:	
Accounts Payable	2,660
Intergovernmental Payable	(347)
<i>Net Cash Provided by Operating Activities</i>	\$238,494

See Accompanying Notes to the Basic Financial Statements

**City of Maple Heights, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2013*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$912,515
Cash and Cash Equivalents in Segregated Accounts	73,275
Due from Governmental Funds	<u>201,900</u>
<i>Total Assets</i>	<u><u>\$1,187,690</u></u>
 <b>Liabilities</b>	
Due to Other Governments	\$24,747
Deposits Held and Due to Others	<u>1,162,943</u>
<i>Total Liabilities</i>	<u><u>\$1,187,690</u></u>

See Accompanying Notes to the Basic Financial Statements

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 1 - Description of the City and Reporting Entity**

The City of Maple Heights (the “City”) is a home rule municipal corporation established and operated under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a Council/Mayor form of government, was adopted in 1932. Legislative authority is vested in an eight-member Council. The President of Council is elected at-large, and seven members are elected from districts, all for two-year terms. The Mayor is elected to a four-year term.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, agencies, boards and departments that are not legally separate from the City. For the City of Maple Heights, this includes the agencies and departments that provide the following services: police and fire protection, emergency medical response, parks and recreation, planning, zoning, street maintenance and repair, refuse collection, sanitary sewer service and general administrative services.

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

The City participates in a jointly governed organization and an insurance purchasing pool. These organizations are the Southeast Area Law Enforcement Organization, the Northeast Ohio Public Energy Council, the Chagrin/Southeast Council of Governments and the Northern Ohio Risk Management Association (NORMA). These organizations are presented in Notes 18 and 19 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

***Basis of Presentation***

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

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

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

**Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City reports three categories of funds: governmental, proprietary and fiduciary.

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

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

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

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

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

**Solid Waste Collection** The solid waste collection fund accounts for and reports the fees collected to cover the refuse pick-up and hauling system provided through the City.

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for deposits pledged by contractors and citizens and building assessment fees collected for the Ohio Board of Building Standards.

**Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

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

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

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

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

**Deferred Outflows/Inflows 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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferral on refunding reported in the government-wide statement of net position. A deferral on refunding results from the difference in the carrying value of the refunding 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 statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, intergovernmental grants, municipal income taxes, charges for services, fines and forfeitures, contributions and donations and franchise taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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***Budgetary Data***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and set annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department for all funds. For the other object level the Finance Director has been authorized to allocate appropriations within each department and any object level which he maintains on his books, other than personal services. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amount on the amended certificate of estimated resources in effect at the time the original and final appropriations were enacted by Council.

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

***Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

The City has segregated bank accounts for monies held separate from the City's central bank account. These non-interest bearing depository accounts are presented on the statement of net position as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the City's treasury. The cash of the Mayor's Court is included in this line item.

The City of Maple Heights has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2013. 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 net asset value per share which is the price the investment could be sold at December 31, 2013.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2013 amounted to \$523.

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

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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***Inventory***

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

***Capital Assets***

The City's only capital assets are general capital assets. General capital assets are those assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their market values as of the date received. The City maintains a capitalization threshold of seven thousand and five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	15 - 65 years
Machinery and Equipment	5 - 20 years
Vehicles	5 - 25 years
Infrastructure	20 - 75 years

The City's infrastructure consists of roads and sidewalks, sanitary sewers, storm sewers, water lines and traffic signals and includes infrastructure acquired prior to December 31, 1980.

***Interfund Balances***

On fund financial statements, receivables and payables resulting in short term interfund loans are classified as "interfund receivables/payables". Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. Due to the financial difficulties of the City a "Due to Agency Fund" and Due to Governmental Fund" was established.

***Compensated Absences***

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

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees with at least five years of service at a percentage specified in the individual union contracts.

***Accrued Liabilities and Long-Term Obligations***

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

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

***Fund Balance***

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinances or resolution, as both are equally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinances or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. 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.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

***Net Position***

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

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

***Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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 the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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***Bond Premium***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are received in the year the bonds are issued.

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for solid waste collection services. Operating expenses are necessary costs that have been incurred in order 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.

***Deferred Charge on Refunding***

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

***Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3 – Changes in Accounting**

For year 2013, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 61, “The Financial Reporting Entity: Omnibus - an amendment of GASB Statements 14 and 34” and Statement No. 66, “Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 61 modifies existing requirements for the assessment of potential components units in determining what should be included in the financial reporting entity, and the display of component units’ presentation and certain disclosure requirements. The implementation of the statement did not result in any change in the City’s financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the City’s financial statements.

**Note 4 – Fund Balances**

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

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2013

Fund Balance	General Fund	Other Governmental Funds	Total
<i><b>Nonspendable</b></i>			
Inventory	\$35,438	\$25,990	\$61,428
<i><b>Restricted for</b></i>			
Road Improvements	0	83,188	83,188
Drug and Alcohol Enforcement	0	186,148	186,148
Economic Development	0	37,436	37,436
Recreation	0	884	884
Computer Technology	0	124,239	124,239
Fire Department	0	11,884	11,884
Sewer Maintenance	0	600,849	600,849
Debt Payments	0	15,895	15,895
<i>Total Restricted</i>	0	1,060,523	1,060,523
<i>Unassigned (Deficit)</i>	(1,821,813)	(762,749)	(2,584,562)
<i>Total Fund Balance (Deficit)</i>	(\$1,786,375)	\$323,764	(\$1,462,611)

**Note 5 – Accountability and Compliance**

*Accountability*

Fund balance at December 31, 2013, included the following individual fund deficits:

Fund	Amount
<i>Major Fund:</i>	
General	\$1,786,375
<i>Nonmajor Funds:</i>	
Street Lighting	240,156
Police Levy	233,791
Fire Levy	272,410
Ambulance Billing	6,267
Office on Aging	634
City Hall	9,491

The general fund concluded 2013 with a deficit fund balance of \$1,786,375. This deficit was a result of the City expending more and committing more than they received or will receive in revenue.

The nonmajor fund deficits were caused by the recognition of expenditures on the modified accrual basis of accounting which are substantially greater than expenditures recognized on the cash basis. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2013

**Compliance**

The following accounts and funds had expenditures plus encumbrances in excess of appropriations plus prior year encumbrances, contrary to Ohio Revised Code Section 5705.41(B).

Fund	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Variance
<b>General Fund</b>			
Police - Personal Services	\$2,360,624	\$2,479,089	(\$118,465)
Fire - Personal Services	2,154,208	2,226,892	(72,684)
Jail Administrative - Other	55,063	62,184	(7,121)
Senior Services - Other	7,312	10,485	(3,173)
Nutrition Services - Other	1,850	3,722	(1,872)
Senior Transport - Personal Services	114,768	115,813	(1,045)
Senior Transport - Other	42,315	59,486	(17,171)
Building Commissioner - Other	419,531	452,543	(33,012)
Service - Director - Personal Services	63,001	73,029	(10,028)
Mechanics - Personal Services	115,743	124,489	(8,746)
Mechanics - Other	171,593	200,295	(28,702)
Finance - Other	54,253	61,795	(7,542)
Land and Buildings - Other	561,708	635,345	(73,637)
Civil Service - Other	4,000	11,260	(7,260)
Human Resources - Other	1,295	2,518	(1,223)
Council - Other	8,750	10,002	(1,252)
<b>Special Revenue Funds</b>			
Police Pension Fund	581,228	583,115	(1,887)
Police Levy Fund	768,949	814,694	(45,745)
Fire Levy Fund	809,871	848,043	(38,172)
Ambulance Billing Fund	680,047	681,088	(1,041)
Street, Construction, Maintenance and Repair Fund	296,143	780,405	(484,262)
Municipal Motor Vehicle Fund	130,000	131,047	(1,047)
Housing Foreclosure Fund	62,597	71,124	(8,527)
DARE Program Fund	4,000	30,922	(26,922)
Office on Aging Fund	15,665	17,088	(1,423)
Health Care Fund	164,000	166,958	(2,958)
Grass/Tree Maintenance Fund	182,219	196,294	(14,075)
<b>Debt Service Fund</b>			
Bond Retirement Fund	1,050,579	1,066,711	(16,132)
<b>Agency Funds</b>			
Trust and Agency Fund	1,871,411	1,997,979	(126,568)
Nutrition Agency Fund	10,000	20,685	(10,685)
3 % OBBS Fee Fund	4,000	5,245	(1,245)

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

The City had negative cash fund balances in the following funds indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10(H):

<b>General Fund</b>	\$1,211,696
<b>Special Revenue Funds</b>	
Street Lighting	114,853
Police Levy	201,283
Fire Levy	234,632

The following funds had appropriations in excess of estimated resources as reported on the Official Certificate of Estimated Resources at December 31, 2013, contrary to Ohio Revised Code Section 5705.39.

Fund	Final Estimated Resources	Final Appropriations	Variance
<b>General Fund</b>	\$13,464,873	\$13,921,439	(\$456,566)
<b>Special Revenue Funds</b>			
Street Lighting Fund	355,121	494,000	(138,879)
Police Levy Fund	625,531	768,949	(143,418)
Fire Levy Fund	626,772	809,871	(183,099)
Ambulance Billing Fund	483,626	603,257	(119,631)
DARE Program Fund	22,048	31,000	(8,952)
Grass/Tree Maintenance Fund	120,000	182,219	(62,219)

Although these budgetary violations and cash deficits were not corrected by year end, management has indicated that appropriations and cash will be closely monitored to prevent future violations.

**Note 6 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP basis).

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budget basis statements for the general fund.

	General
GAAP Basis	(\$1,839,634)
Net Adjustment for Revenue Accruals	309,244
Net Adjustment for Expenditure Accruals	719,761
Advances Out	(63,466)
Encumbrances	(482,109)
Budget Basis	(\$1,356,204)

**Note 7 - Deposits and Investments**

The City has chosen to follow State statutes and classify monies held by the City into three categories.

Active deposits are public monies determined to be necessary to meet current demands upon the City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

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

### **Deposits**

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that, in the event of the failure of the counterparty, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$784,798 of the City's bank balance of \$1,284,798 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the uninsured deposits being secured.

### **Investments**

At December 31, 2013, the City had \$8,326 invested in STAR Ohio with an average maturity of 53.4 days.

***Interest Rate Risk*** As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. To date, no investments have been purchased with a life greater than five years.

**City of Maple Heights, Ohio**  
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**Credit Risk** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that addresses credit risk.

**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 has no investment policy dealing with investment custodial credit risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the City Treasurer or qualified trustee.

**Note 8 - Receivables**

Receivables at December 31, 2013, consisted primarily of municipal income taxes, motor vehicle license tax, property taxes, accounts (billings for user charged services and court fines), and intergovernmental receivables arising from grants, entitlements and shared revenues. No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables are expected to be collected within one year except for delinquent property taxes. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

**Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2013 for real and public utility property taxes represents collections of the 2012 taxes. Property tax payments received during 2013 for tangible personal property (other than public utility property) are for 2013 taxes.

2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2013, was \$15.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based as follows:

	Assessed Valuation
Real Estate	
Residential/Agriculture	\$193,544,610
Commercial Industrial/Public Utility	113,987,950
Tangible Personal Property	
Public Utility	8,862,220
Total	\$316,394,780

**City of Maple Heights, Ohio**  
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The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the City of Maple Heights and periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2013 and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2013 operations is offset to deferred inflows of resources – property taxes. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

***Income Taxes***

The City levies an income tax of 2.50 percent on all income earned within the City as well as income of residents earned outside the City. The City allows a 100 percent credit on the income tax rate of 2.50 percent on the income earned outside the City and paid to another municipality. Employers within the City are required to withhold income tax on employee compensation and remit this tax to an intermediary collection agency (Regional Income Tax Agency) at least quarterly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the collection agency. The collection agency remits taxes collected to the City each month.

***Intergovernmental Receivable***

A summary of the principal items of intergovernmental receivables follows:

	Amount
<b>Governmental Activities:</b>	
Local Government	\$357,467
Gasoline Tax	345,382
Homestead and Rollback	291,355
Estate Tax	35,473
Motor Vehicle Registration	27,312
Permissive Tax	19,822
Grants	12,063
City of Garfield Heights	11,420
Northeast Ohio Sewer District	1,102
City of Cleveland	612
<b>Total Governmental Activities</b>	<b>\$1,102,008</b>

**Note 9 - Capital Assets**

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance 12/31/12	Additions	Deletions	Balance 12/31/13
<b>Governmental Activities</b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$310,031	\$0	\$0	\$310,031
Construction in Progress	2,065,027	620,405	(1,728,972)	956,460
<b><i>Total Capital Assets, not being depreciated</i></b>	<b>\$2,375,058</b>	<b>\$620,405</b>	<b>(\$1,728,972)</b>	<b>\$1,266,491</b>

**City of Maple Heights, Ohio**  
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	Balance 12/31/12	Additions	Deletions	Balance 12/31/13
<b>Governmental Activities (continued)</b>				
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	\$11,508,700	\$14,218	\$0	\$11,522,918
Machinery and Equipment	1,495,899	93,102	0	1,589,001
Vehicles	4,577,988	59,103	0	4,637,091
Infrastructure:				
Roads	30,738,625	1,260,020	0	31,998,645
Traffic Signals	3,107,785	0	0	3,107,785
Storm Sewer	22,823,953	468,952	0	23,292,905
Sidewalks	1,424,833	0	0	1,424,833
Traffic Signals	0	0	0	0
<i>Total Capital Assets, being depreciated</i>	<u>75,677,783</u>	<u>1,895,395</u>	<u>0</u>	<u>77,573,178</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(5,713,855)	(341,384)	0	(6,055,239)
Machinery and Equipment	(912,030)	(149,379)	0	(1,061,409)
Vehicles	(2,659,061)	(335,617)	0	(2,994,678)
Infrastructure:				
Roads	(9,453,110)	(764,201)	0	(10,217,311)
Traffic Signals	(1,716,816)	(155,390)	0	(1,872,206)
Storm Sewer	(5,119,803)	(304,317)	0	(5,424,120)
Sidewalks	(545,849)	(35,622)	0	(581,471)
Traffic Signals	0	0	0	0
<i>Total Accumulated Depreciation</i>	<u>(26,120,524)</u>	<u>(2,085,910)</u>	<u>0</u>	<u>(28,206,434)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>49,557,259</u>	<u>(190,515)</u>	<u>0</u>	<u>49,366,744</u>
Governmental Activities Capital Assets, Net	<u>\$51,932,317</u>	<u>\$429,890</u>	<u>(\$1,728,972)</u>	<u>\$50,633,235</u>

Depreciation expense was charged to governmental functions as follow:

General Government	\$96,738
Security of Persons and Property	507,605
Transportation	919,591
Basic Utility Services	442,144
Leisure Time Activities	119,832
Total Depreciation Expense	<u>\$2,085,910</u>

**Note 10 - Interfund Transfers and Balances**

*Interfund Transfers*

Transfers To	Transfers From		
	General	Other Governmental Funds	Total
General	\$0	\$152,708	\$152,708
Other Governmental Funds	1,563,853	131,047	1,694,900
Total	<u>1,563,853</u>	<u>283,755</u>	<u>1,847,608</u>

**City of Maple Heights, Ohio**  
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During 2013, the general fund transferred \$1,563,853 to other governmental funds as debt payments came due, to pay for police and fire pension payments and to provide additional resources for current operations. Other governmental funds made transfers to the general fund in the amount of \$152,708 to return unallocated grant monies and \$131,047 to other governmental funds as OPWC loan payments came due.

***Interfund Balances***

During 2013, the general fund had an interfund payable to the solid waste enterprise fund and an interfund payable to other governmental funds in the amounts of \$553,659 and \$453,986, respectively. Other governmental funds had interfund payables to other governmental funds in the amount of \$550,768. The interfund receivables and payable are the result of deficit cash balances and are expected to be repaid within one year.

The Due from Governmental Fund and Due to Agency Fund of \$201,900 in the agency fund and general fund was the result of deficit cash balances is expected to be repaid within one year.

**Note 11 - Long-Term Obligations**

The original issuance amounts for the City's long-term obligations are as follows:

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
<b>Governmental Activities</b>			
<i>General Obligation Bonds:</i>			
Various Purpose Bonds - 2004	2.00-5.25%	\$4,110,000	2018
Various Purpose and Refunding Bonds - 2010	.88-4.87%	11,275,000	2030
Capital Appreciation Bonds - 2010	7.25-7.50%	1,647,911	2024
<i>OWDA Loans</i>			
Kenyon/Gardenview Sewer Improvement - 1996	4.16%	2,515,205	2016
Phase I Sewer Improvement - 1996	4.35%	765,161	2016
Phase II Sewer Improvement - 1997	4.04%	110,426	2016
<i>OPWC Loans:</i>			
Maplewood/Northwood Sewers Improvements	0%	626,898	2016
Southgate Park Reconstruction	0%	185,649	2018
Lee Road Reconstruction	0%	86,370	2018
Industrial Avenue/E. 141st Improvements	0%	556,403	2023
Northfield Road Improvements	0%	360,000	2030
East 141st Street/Maple Heights Blvd Improvements	0%	333,013	2034
Broadway Sanitary Inteceptor Extention	0%	91,860	2043
Broadway Avenue Reconstruction	0%	381,774	2039
Sanitary Sewer Repairs	0%	196,560	n/a

**City of Maple Heights, Ohio**  
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Changes in long-term obligations of the City during 2013 are as follows:

<i>Governmental Activities</i>	Outstanding 12/31/2012	Additions	Reductions	Outstanding 12/31/2013	Due in One Year
<b>General Obligation Bonds</b>					
Various Purpose Bonds, due 2018	\$1,715,000	\$0	\$345,000	\$1,370,000	\$250,000
Unamortized Premium	33,626	0	5,604	28,022	0
Various Purpose and Refunding, due 2030	11,100,000	0	90,000	11,010,000	460,000
Capital Appreciation Bonds, due 2024	1,647,911	0	0	1,647,911	0
Accretion on Bonds	315,110	175,178	0	490,288	0
Unamortized Premium	649,390	0	37,286	612,104	0
<i>Total General Obligation Bonds</i>	<u>15,461,037</u>	<u>175,178</u>	<u>477,890</u>	<u>15,158,325</u>	<u>710,000</u>
<b>OWDA Loans</b>					
Kenyon/Gardenview Sewer, due 2016	601,597	0	163,133	438,464	169,990
Phase I Sewer, due 2016	185,379	0	50,149	135,230	52,354
Phase II Sewer, due 2016	26,636	0	7,234	19,402	7,529
<i>Total OWDA Loans</i>	<u>813,612</u>	<u>0</u>	<u>220,516</u>	<u>593,096</u>	<u>229,873</u>
<b>OPWC Loans</b>					
Maplewood/Northwood Sewers Improvements	120,207	0	34,345	85,862	34,345
Southgate Park/Lee Rd. South Improvements	60,340	0	60,340	0	0
Southgate Park Reconstruction	0	29,784	4,964	24,820	4,964
Lee Road Reconstruction	0	23,751	4,318	19,433	4,319
Industrial Ave./E.141st Improvements	306,022	0	27,820	278,202	27,820
Northfield Road Improvements	315,000	0	18,000	297,000	18,000
East 141st Street and Maple Heights Improvements	333,013	0	0	333,013	8,325
Broadway Sanitary Inreceptor Extension	59,180	0	0	59,180	1,531
Broadway Avenue Reconstruction	315,639	66,135	0	381,774	7,635
Sanitary Sewer Repairs	0	25,880	0	25,880	0
<i>Total OPWC Loans</i>	<u>1,509,401</u>	<u>145,550</u>	<u>149,787</u>	<u>1,505,164</u>	<u>106,939</u>
<b>Other Long-Term Obligations</b>					
Capital Leases Payable	268,832	138,701	95,014	312,519	113,373
Compensated Absences	2,921,520	238,295	629,347	2,530,468	835,792
Accrued Police and Fire Pension Liability	330,734	0	4,702	326,032	13,989
Police and Fire Pension Liability	0	341,426	0	341,426	227,618
Claims Payable	159,429	108,933	173,972	94,390	15,982
<i>Total Other Long-Term Obligations</i>	<u>3,680,515</u>	<u>827,355</u>	<u>903,035</u>	<u>3,604,835</u>	<u>1,206,754</u>
<i>Total Governmental Activities</i>	<u>\$21,464,565</u>	<u>\$1,148,083</u>	<u>\$1,751,228</u>	<u>\$20,861,420</u>	<u>\$2,253,566</u>

**General obligation bonds** General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from both voted and unvoted general property taxes levied on all taxable property located within the City as well as municipal income taxes. Tax monies will be received in and the debt will be retired from the bond retirement debt service fund.

**2010 Bonds** On June 23, 2010, the City issued \$12,922,911 in general obligations bonds to partially refund the 1998 Capital Purpose and Refunding Bond, refund the 2000 Capital Purpose Bond and to pay the costs of various other improvements within the City. The bonds will be retired through Bond Retirement Fund

**City of Maple Heights, Ohio**  
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Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 1993 general obligation bonds. As a result \$2,395,000 of these bonds were considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. The amount still outstanding at December 31, 2013 is \$625,000.

The serial and capital appreciation bonds remained outstanding at December 31, 2013. The capital appreciation bonds were originally sold at a discount of \$2,512,089, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2021 through 2024.

The maturity amount of outstanding capital appreciation bonds at December 31, 2013 is \$1,040,000. The accretion recorded for 2013 was \$175,178, for a total outstanding bond liability of \$2,138,199 at December 31, 2013.

***OWDA Loans*** The City has entered into contractual agreements for construction loans from the Ohio Water Development Authority (OWDA). Under the terms of these agreements, the OWDA will reimburse, advance or directly pay the construction costs of approved projects. The OWDA will capitalize administrative costs and construction interest and then add them to the total amount of the final loan. The OWDA loans will be paid from revenues derived by the City from the sewer maintenance fund.

***OPWC loans*** OPWC loans consist of money owed to the Ohio Public Works Commission for road improvements and for sanitary sewer improvements. The loans are interest free. OPWC loans will be paid from the sewer maintenance fund.

A line of credit has been established for the Ohio Public Works Commission in the amount of \$196,560 for sanitary sewer repairs. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates. The balance of this loan at December 31, 2013 is \$25,880.

***Capital Leases*** Capital lease obligations will be paid from the fund that maintains custody of the related assets. Capital leases will be paid from the general fund, ambulance billing special revenue fund and city hall capital projects fund.

***Compensated Absences*** The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the general fund; the sewer maintenance; police levy, fire levy, ambulance billing and street construction maintenance and repair special revenue funds

***Accrued Police and Fire Pension Liability*** The police and fire pension liability will be paid from the police and fire pension special revenue funds. This includes an accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters.

***Police and Fire Pension Liability*** During 2013, the Ohio Police and Fire Pension Retirement System (OP&F) required the City to pay the employer's portion of the retirement monthly as opposed to quarterly. OP&F allowed the City to make the final quarterly payment over three years in order to comply with the new requirement. The OP&F liability will be paid from the police and fire pension special revenue funds.

***Claims*** The claims liability will be paid from the general fund.

The City's overall legal debt margin was \$18,079,022 with an unvoted debt margin of \$2,259,283 at December 31, 2013.

**City of Maple Heights, Ohio**  
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Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2013, were as follows:

	Governmental Activities			
	General Obligation Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2014	\$710,000	\$511,394	\$0	\$0
2015	725,000	489,894	0	0
2016	755,000	457,644	0	0
2017	790,000	424,006	0	0
2018	795,000	388,844	0	0
2019-2023	1,695,000	673,388	1,288,716	2,687,765
2024-2028	4,420,000	883,968	359,195	966,299
2029-2033	2,490,000	159,800	0	0
Total	\$12,380,000	\$3,988,938	\$1,647,911	\$3,654,064

	Governmental Activities				
	OPWC Loans	OWDA Loans		Accrued Police and Fire Pension	
	Principal	Principal	Interest	Principal	Interest
2014	\$106,939	\$229,873	\$22,518	\$241,607	\$20,491
2015	124,431	239,627	12,764	123,635	13,159
2016	107,259	123,596	2,598	10,251	12,736
2017	90,086	0	0	10,691	12,296
2018	87,927	0	0	11,150	11,837
2019-2023	404,019	0	0	63,359	51,576
2024-2028	264,918	0	0	78,186	36,749
2029-2033	201,389	0	0	96,483	18,452
2034-2038	84,680	0	0	32,096	1,352
2039-2043	7,636	0	0	0	0
Total	\$1,479,284	\$593,096	\$37,880	\$667,458	\$178,648

**Note 12 - Capital Leases**

During 2013, the City entered into two new lease agreements for police cruisers and ambulance equipment. In prior years, the City entered into lease agreements for police cruisers, an ambulance and a phone system. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

	Governmental Activities
Equipment	\$224,951
Vehicles	261,482
Less: Accumulated Depreciation	(146,688)
Total	\$339,745

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
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The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2013.

	<u>Governmental Activities</u>
2014	\$146,559
2015	117,747
2016	43,512
2017	30,460
2018	<u>17,579</u>
Total Mimimum Lease Payments	355,857
Less: Amount representing interest	<u>(43,338)</u>
Present Value of Mimimum Lease Payments	<u><u>\$312,519</u></u>

**Note 13 - Compensated Absences**

The criteria for determining vacation and sick leave liabilities are derived from negotiated agreements and State laws. City employees earn vacation leave at graduated rates based on length of service. The City accrues the vacation leave benefits as earned. The City's current vacation policy specifies that accumulated vacation leave must be used prior to December 31 of the year following the year in which it is earned. City employees are paid for earned unused vacation leave at the time of termination or retirement.

Employees earn sick leave at a rate for 4.6 hours for every 80 hours worked. City employees earn sick leave which, if not taken, accumulated until retirement or separation from employment. Upon retirement or death, an employee can be paid up to 25 percent to 40 percent of accumulated sick leave, subject to certain limitations and depending on number of service years, calculated at current wage rates.

**Note 14 - Risk Management**

***Property and Liability***

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 October 1989, the City joined together with neighboring cities to form the Northern Ohio Risk Management Association (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability and vehicle insurance and providing for a formalized, jointly administered self insurance fund. The City pays an annual premium to NORMA for its insurance coverage. The agreement of formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the limits described in the agreement. This coverage is paid from the general fund. NORMA is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of NORMA. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the City. The City is not liable nor will it receive a cash balance of past claims upon departure from the pool.

There has not been a significant reduction in coverage from the prior year and claims have not exceeded coverage provided by NORMA in any of the last three years.

**City of Maple Heights, Ohio**  
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***Employee Insurance Benefits***

Starting in 2009, the City has provided employees (and eligible dependents) medical and prescription drug benefits on a partially self-insured basis. The Fedeli Group serves as third party administrator to process and pay claims. Upon meeting the required employee contributions as well as staying within a Medical Mutual provider, maximum coverage is provided by the plan parameters. However, if an individual seeks care at a non- Medical Mutual provider, then 70 percent of the cost is covered. Furthermore, the plan allows for catastrophic (stop-loss) coverage of \$50,000 per occurrence. Employee medical benefits are charged to the general fund. The claims liability of \$182,000 reported in the general fund at December 31, 2013, is based on an estimate by the third party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Management's expectation is the claims liabilities will be paid within one year.

Changes in the funds' claims liability amount for 2012 and 2013 was:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2012	\$341,495	\$1,031,203	\$1,308,061	\$64,637
2013	64,637	1,980,694	1,863,331	182,000

***Workers' Compensation***

On January 1, 2012, the City was approved for self-insured status by the Bureau of Workers' Compensation and began to administer its own workers' compensation program (the program). The maintenance of these benefits is accounted for in the general fund. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claims cost for injured employees in 2013. The City utilizes the services of Careworks Consultants, Incorporated, the third party administrator, to review, process, and pay employee claims. Incurred but not reported claims of \$94,390 have been accrued as a liability at December 31, 2013, based on an estimate by the City's third party administrator. Of this amount, \$15,982 is due within one year. The claims liability of \$94,390 reported at December 31, 2013 for Workers' Compensation is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for 2012 and 2013 are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2012	\$0	\$707,649	\$548,220	\$159,429
2013	159,429	108,933	173,972	94,390

**Note 15 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at

**City of Maple Heights, Ohio**  
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20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**Funding Policy** – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. For the year ended December 31, 2013, members in state and local classifications contributed 10.0 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2013, member and employer contribution rates were consistent across all three plans.

The City's 2013 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1.00 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2 percent. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$459,229, \$419,421, and \$476,539, respectively. For 2013, 90.57 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. Contributions to the Member-Directed Plan for 2013 were \$9,229 made by the City and \$3,253 made by the plan members.

***Ohio Police and Fire Pension Fund***

**Plan Description** - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publically available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2013, thru July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013, thru December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters.

**City of Maple Heights, Ohio**  
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The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For January 1 2013, thru May 31, 2013, the portion of employer contributions used to fund pension benefits was 14.81 percent of covered payroll for the police officers and 19.31 percent of covered payroll for firefighters. For June 1, 2013, thru December 31, 2013, the portion of employer contributions used to fund pension benefits was 16.65 percent of covered payroll for police officers and 21.15 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters were \$482,424 and \$583,714 for the year ended December 31, 2013, \$364,265 and \$474,116 for the year ended December 31, 2012, and \$410,697 and \$504,259 for the year ended December 31, 2011, respectively. For 2013, 87.03 percent for police and 88.12 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

In addition to current contributions, the City pays installments on the accrued liability incurred with the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2013, the liability of the City was \$326,032 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported as "long-term liabilities" in the government activities column on the statement of net position.

## **Note 16 - Postemployment Benefits**

### ***Ohio Public Employees Retirement System***

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local government employers contributed at a rate of 14.0 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2 percent for both plans, as recommended by OPERS actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$35,325, \$167,768, and \$190,615, respectively. For 2013, 90.57 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

Changes to health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approval health care changes, OPERS expects to consistently allocate four percent of the employer contributions toward the health care fund after the end of the transition period.

***Ohio Police and Fire Pension Fund***

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

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 meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available of OP&F's website at [www.op-f.org](http://www.op-f.org).

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

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For January 1, 2013, thru May 31, 2013, the employer contribution allocated to the health care plan was 4.69 percent of covered payroll. For June 1, 2013, thru December 31, 2013, the employer contribution allocated to the health care plan was 2.85 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$109,973 and \$103,682 for the year ended December 31, 2013, \$192,486 and \$185,524 for the year ended December 31, 2012, and \$217,428 and \$197,319 for the year ended December 31, 2011, respectively. For 2013, 87.03 percent for police and 88.12 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

## **Note 17 - Contingencies**

### ***Grants***

The City received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2013.

### ***Litigation***

The City is party to various legal proceedings. City management is of the opinion that ultimate settlement of such claims not covered by insurance will not result in a material adverse effect on the City's financial position.

## **Note 18 - Jointly Governed Organizations**

### ***Southeast Area Law Enforcement Organization***

The Southeast Area Law Enforcement Organization is comprised of seven municipalities in southeastern Cuyahoga County for the purpose of providing assistance in the form of a SWAT team, Bomb Unit, Investigate Unit, Narcotics Unit, Crisis Negotiation Team, and Communications Unit. The organization is

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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governed by a Board of Directors made up of one representative from each participating government. The degree of control exercised by any participating government is limited to its representation on the Board. In 2013, the City contributed \$25,000 to the organization. The Southeast Area Law Enforcement organization financial statements may be obtained by contacting the Finance Director of the City of Bedford, Ohio.

***Northeast Ohio Public Energy Council***

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Maple Heights did not contribute to NOPEC during 2013. Financial information can be obtained by contacting Joseph Migliorini, the Board Chairman, at 175 South Main Street, Akron, Ohio 44308 or at the website [www.nopecinfo.org](http://www.nopecinfo.org).

***Chagrin/Southeast Council of Governments***

The Chagrin/Southeast Council of Governments operates the Chagrin/Southeast HazMat Response Team. The team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. The council is governed by a Board of Directors made up of one representative from each participating government. The degree of control exercised by any participating government is limited to its representation on the Board. In 2013, the City contributed \$3,500 to the organization. The Chagrin/Southeast Council of Governments financial statements may be obtained by contacting the Finance Director of the City of Bedford Heights, Ohio.

The Council has established two subsidiary organizations, the West Shore Hazardous Materials Committee ("HAZ MAT") which provides hazardous material protection and assistance, and the West Shore Enforcement Bureau which provides extra assistance to cities in the form of a Swat Team.

**Note 19 - Shared Risk Pool**

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the Cities of Bedford Heights, Maple Heights, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, and the Village of Chagrin Falls. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of the Mayor from each of the participating members.

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of the Cities of Maple Heights and Solon whose commencement date is October 1, 1989, and the City of Maple Heights, whose commencement date is October, 1, 1993. After the initial three years, each City may extend its term in three-year increments.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$100,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop-loss coverage carried by the pool. The self-insurance pool will pay up to \$750,000 per policy year before the aggregate stop-loss coverage takes over. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2013, the City of Maple Heights paid \$31,793 in premiums from the general fund, which represents 1.7 percent of the total premiums paid by all members. Financial information can be obtained by contacting the board chairman, the Finance Director at the City of Mayfield Heights, 6154 Mayfield Road, Mayfield Heights, Ohio 44124.

**Note 20 – Encumbrances**

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

	<u>Governmental Funds</u>
General fund	\$482,109
Other Governmental Funds	269,396
Total	<u><u>\$751,505</u></u>

**Note 21 – Going Concern**

Ohio Revised Code Section 5705.10, in part, requires that money paid into any fund shall be expended only after such fund received monies to cover expenditures. The City has experienced a financial shortfall which has resulted in deficit spending in the general fund of \$1,209,545 and deficits in other less significant funds at December 31, 2013. Continued operations are dependent upon the City's ability to meet financing requirements and current obligations.

Due to the reductions in property tax collections expected in 2013, the City was forced to eliminate additional staff positions and seek outsourcing of certain city functions. 7 positions were eliminated in early 2013 due to layoffs and 6 positions were eliminated due to the outsourcing of building inspections functions. In addition, 4 service employees, 2 mechanics and the Assistant Fire Chief position were not filled upon retirement of employees in these areas in 2012.

**City of Maple Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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The City's financial operations are expected to remain pressured over the next year as management continues to project structural budget gaps. The City has seen its reserve position deteriorate steadily since fiscal year 2007. The declines resulted from persistently negative operating results driven by a mix of declining property and income tax revenues and an inability to sufficiently contain costs.

**Note 22 – Subsequent Events**

On April 10, 2014, the Auditor of State's office declared the City to be in a state of fiscal watch under Section 118.022(A)(1), (A)(2) and (A)(3) of the Ohio Revised Code. The City had accounts payable which were at least thirty days past-due as of December 31, 2013, from its general fund and respective special funds exceeded one-twelfth of the general fund budget and available revenues of those special funds. The City had deficit fund balances at December 31, 2013, in the amount of \$1,881,597, that exceeded one-twelfth of the general fund receipts and the receipts of the respective deficit funds and funds that are available for transfer to meet such deficits. At December 31, 2013, the treasury balance less positive fund balances exceeded one twelfth of the receipts for the year.

At the time of this report in 2014, the City formed a Regional Council of Governments between the cities of Bedford, Bedford Heights, Maple Heights and Garfield Heights. Also being considered as one of the original members is the City of Euclid, which will provide 911 dispatch services through an entity to be named at a later date.

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

To the Members of City Council  
City of Maple Heights, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Heights, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Maple Heights, Ohio's basic financial statements, and have issued our report thereon dated August 18, 2014, wherein we noted there is substantial doubt about the City's ability to continue as a going concern.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider **Finding 2013-002** described in the accompanying Schedule of Findings and Responses to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider **Finding 2013-003** described in the accompanying Schedule of Findings and Responses to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Maple Heights, Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as **Finding 2013-001, Finding 2013-004, and Finding 2013-005**.

## City of Maple Heights, Ohio's Response to Findings

The City of Maple Heights, Ohio's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City of Maple Heights, Ohio's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of This Report

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

James G.  
Zupka, CPA,  
President



Digitally signed by James G. Zupka,  
CPA, President  
DN: cn=James G. Zupka, CPA,  
President, o=James G. Zupka, CPA,  
Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2014.09.12 10:57:23 -04'00'

James G. Zupka, CPA, Inc.  
Certified Public Accountants

August 18, 2014

**CITY OF MAPLE HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 SCHEDULE OF FINDINGS AND RESPONSES  
 DECEMBER 31, 2013**

**Finding Number 2013-001 - Material Noncompliance - Negative Cash Fund Balances**

Condition/Criteria

Ohio Revised Code Section 5705.10(H) provides money paid into any fund shall be used only for the purposes for which such fund is established. A fund with a negative fund balance signifies that monies from other funds were used to meet their obligations.

During our review of the City’s general ledger, we noted that four funds had negative cash fund balances at December 31, 2013:

<u>Major Fund</u>	<u>Deficit Cash Balance</u>
General Fund	\$ 1,211,696
<u>Non-Major Funds</u>	
Street Lighting	114,853
Police Levy	201,283
Fire Levy	234,632

Cause/Effect

Negative cash fund balances infer revenues from other sources were borrowed to pay obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the loss of future grant awards.

For reporting purposes, the deficit cash balances were reported as part of the “interfund payable” liability and the funds with positive cash balances offsetting these deficits reports an “interfund receivable” asset. Since the City’s cash is pooled, there was no method to determine which funds’ cash was used to offset the deficit balances and consequently the “interfund receivable” amounts related to the deficit cash balances were assigned using certain assumptions.

Recommendation

We recommend that the City ensure its fund appropriations and expenditures are consistent with the purposes for which the funds were established. We also recommend that the City consult with its Law Director when questions arise regarding a fund’s intended use. We also recommend that the City monitor its cash fund balances on a regular basis in order to ensure that sufficient cash is on hand to pay for obligations and that the City utilize advances when necessary.

City’s Response

The City has been declared in Fiscal Watch by the State Auditor of Ohio due to negative cash fund balances in some funds. A five-year forecast was submitted to the State Auditor August 4, 2014 that would eradicate all negative cash fund balances in Special Funds by December 31, 2014; and by December 31, 2015 for the General Fund due to new anticipated revenue sources and spending reductions.

The City will continue to consult with the Law Director when questions arise regarding a fund’s intended use. Also the cash fund balances are monitored on a daily basis to ensure that sufficient cash is on hand to pay for obligations; and that the City will continue to utilize advances when necessary.

**CITY OF MAPLE HEIGHTS  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2013  
(CONTINUED)**

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**Finding Number 2013-002 - Material Weakness - Internal Controls Over Financial Reporting**

Condition/Criteria

Financial reporting is the responsibility of the City's Finance Department and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

During the annual financial statement preparation process, management identified the following errors to the financial statements.

1. Erroneous restatement of Net Position at December 31, 2012 for reporting the compensated absence liability.
2. Understatement of compensated absences of \$1,000,738.
3. Understatement of accounts receivable of \$447,344 relating to sewer receivables billed through the City of Cleveland.
4. Additional nonmaterial entries to correct EMS receivables and accounts payable.

As a result, audit adjustments have been proposed and made to correct the financial activity for 2013.

Cause/Effect

The lack of controls over financial reporting can result in errors and irregularities that may go undetected and decrease the reliability of financial data at year end.

Recommendation

We recommend that the City implement controls and procedures related to financial reporting that enables management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

**City's Response**

The City has implemented a daily cash flow register that records all payroll, receipts, and disbursements transactions, and reconcile them with daily bank balances and transactions. Receipts and disbursements in current year for the following year (if applicable) will be set aside to aid in GAAP reporting. Compensated absences will also be calculated prior to GAAP.

**CITY OF MAPLE HEIGHTS  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2013  
(CONTINUED)**

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**Finding Number 2013-003 - Significant Deficiency - Receipt Support**

Condition/Criteria

During our detail testing of receipts, the City was unable to provide supporting documentation for 12 of the 40 receipts (\$1,006 out of \$77,157). Also, out of the 28 receipts that the City was able to provide support for, 8 of these receipts were not deposited within a reasonable amount of time.

Cause/Effect

There is a lack of organization and proper controls over the receipt process. We are unable to determine completeness of receipts due to lack of supporting documentation.

Recommendation

We recommend that the City maintain supporting documentation for all receipts and deposit money collected in a timely manner in order to strengthen controls over the cash receipts process.

**City's Response**

The City is ensuring that there is remittance advice/letter for all receipts. Deposits will be collected from all City departments and deposited in the bank at least twice a week.

**CITY OF MAPLE HEIGHTS  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2013  
(CONTINUED)**

**Finding Number 2013-004 - Material Noncompliance - Expenditures Plus Encumbrances Exceeding Appropriations Plus Prior Year Encumbrances**

Condition/Criteria

Ohio Revised Code Section 5705.41(B) prohibits a City from expending money unless it has been appropriated.

Cause/Effect

During our review of budgetary procedures, we noted that the following funds had expenditures plus encumbrances that exceeded appropriations plus prior year encumbrances, which is contrary to Ohio Revised Code Section 5705.41(B).

<u>Fund</u>	<u>Appropriations Plus Prior Year Encumbrances</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
General Fund:			
Police - Personnel	\$ 2,360,624	\$ 2,479,089	\$ (118,465)
Fire - Personnel	2,154,208	2,226,892	(72,684)
Jail Administrative - Other	55,063	62,184	(7,121)
Senior Service - Other	7,312	10,485	(3,173)
Nutrition Service - Other	1,850	3,722	(1,872)
Senior Transport - Personnel	114,768	115,813	(1,045)
Senior Transport - Other	42,315	59,486	(17,171)
Building Commissioner - Other	419,531	452,543	(33,012)
Service Director - Personnel	63,001	73,029	(10,028)
Mechanics - Personnel	115,743	124,489	(8,746)
Mechanics - Other	171,593	200,295	(28,702)
Finance - Other	54,253	61,795	(7,542)
Lands and Building - Other	561,708	635,345	(73,637)
Civil Service - Other	4,000	11,260	(7,260)
Human Resources - Other	1,295	2,518	(1,223)
Council - Other	8,750	10,002	(1,252)
Police Pension Fund	581,228	583,115	(1,887)
Police Levy	768,949	814,694	(45,745)
Fire Levy	809,871	848,043	(38,172)
Ambulance Billing - Other	680,047	681,088	(1,041)
SCMR - Other	296,143	780,405	(484,262)
Muni Motor Vehicle	130,000	131,047	(1,047)
Housing Foreclosure	62,597	71,124	(8,527)
Bond Retirement	1,050,579	1,066,711	(16,132)
DARE Program - Other	4,000	30,922	(26,922)
Office on Aging	15,665	17,088	(1,423)
Health Care	164,000	166,958	(2,958)
Grass/Tree Maintenance	182,219	196,294	(14,075)
Trust and Agency	1,871,411	1,997,979	(126,568)
Nutrition Agency	10,000	20,685	(10,685)
3 % OBBS Fees	4,000	5,245	(1,245)

**CITY OF MAPLE HEIGHTS  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2013  
(CONTINUED)**

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**Finding Number 2013-004 - Material Noncompliance - Expenditures Plus Encumbrances Exceeding Appropriations Plus Prior Year Encumbrances** (Continued)

**Recommendation**

We recommend that the City exercise due care to ensure expenditures plus encumbrances do not exceed appropriations plus prior year encumbrances. This will assist the City in avoiding negative fund balances and also ensure they are in compliance with Ohio Revised Code Section 5705.41(B).

**City's Response**

The City will exercise due care to ensure that actual expenditures do not exceed actual final appropriations. Spending has been suspended immediately so as not to incur any additional expenses until a review has been made of year-to-date appropriations in accordance with Ohio Revised Code Section 5705.41(B).

**CITY OF MAPLE HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 SCHEDULE OF FINDINGS AND RESPONSES  
 DECEMBER 31, 2013  
 (CONTINUED)**

**Finding Number 2013-005 - Material Noncompliance - Appropriations Exceeding Estimated Resources**

Condition/Criteria

Ohio Revised Code Section 5705.39 prohibits appropriations from each fund exceeding the total of the estimated resources.

Cause/Effect

During our compliance testing, we noted seven funds that had final appropriations exceeding final estimated resources. Ohio Revised Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources (estimated revenues plus unencumbered fund balances).

<u>Fund</u>	<u>Final Estimated Resources</u>	<u>Final Appropriations</u>	<u>Variance</u>
General Fund	\$13,464,873	\$13,921,439	\$(456,566)
Street Lighting	355,121	494,000	(138,879)
Police Levy	625,531	768,949	(143,418)
Fire Levy	626,772	809,871	(183,099)
Ambulance Billing	483,626	603,257	(119,631)
DARE Program	22,048	31,000	(8,952)
Grass/Tree Maintenance	120,000	182,219	(62,219)

Recommendation

We recommend that the City follow the guidance provided in Ohio Revised Code Section 5705.39 by amending the appropriations to a level that does not exceed the amended certificate.

**Client's Response**

The City will follow the guidance provided in Ohio Revised Code Section 5705.39 by amending the appropriations to a level that does not exceed the amended certificate.

**CITY OF MAPLE HEIGHTS  
 CUYAHOGA COUNTY, OHIO  
 SCHEDULE OF PRIOR FINDINGS AND RECOMMENDATIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2013**

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The prior issued audit report, as of December 31, 2012, included material noncompliance citations and significant deficiencies.

Finding Number	Finding Summary	Fully Corrected ?
2012-001	Proper Encumbrance of Funds	Partially. See Management Comment
2012-002	Credit Card Purchases	Partially. See Management Comment
2012-003	Negative Cash Fund Balances	No. Repeated as <b>Finding 2013-001</b>

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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# Dave Yost • Auditor of State

**CITY OF MAPLE HEIGHTS**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 7, 2014**