



Dave Yost • Auditor of State

**City of Maple Heights
Cuyahoga County, Ohio**

Report on Accounting Methods

Local Government Services Section

**City of Maple Heights, Cuyahoga County
Report on Accounting Methods**

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CERTIFICATION

In compliance with the requirements set forth in Section 118.10(A) of the Ohio Revised Code, an assessment of the methods, accuracy, and legality of the accounts, records, files, and reports of the City of Maple Heights was conducted. This report on accounting methods states whether there are adequate controls in place to assure confidence in the records. The deficiencies and non-compliance with State statutes and the Ohio Administrative Code are identified throughout this report. Therefore, pursuant to Section 118.10 of the Ohio Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Quentin Potter, Chairman of the Financial Planning and Supervision Commission of the City of Maple Heights; Annette M. Blackwell, Mayor of the City of Maple Heights and Richard Trojanski, Council President.

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

David Yost
Auditor of State

August 22, 2017

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Purpose

As required by Section 118.10(A), Revised Code, the Auditor of State "...shall issue a preliminary report with respect to the methods, accuracy, and legality of the accounts, records, files, and reports of the municipality. This report shall state whether Chapter 117 of the Revised Code and the requirements of the Auditor of State have been complied with..."

Accordingly, this report addresses the following: (1) whether the current accounting system fulfills the needs of the City, and (2) whether the current accounting system complies with Chapter 117 of the Revised Code and the requirements of the Auditor of State. Information for this report was obtained by interviewing City personnel and reviewing pertinent accounting, financial and budgetary records.

This report is intended solely for the use of the Financial Planning and Supervision Commission of the City of Massillon. We were not engaged to, nor did we perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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Governance Overview

The City of Maple Heights (the “City”) is located in Cuyahoga County County. The City is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The Charter, which provides for a mayor-council form of government, was adopted on June 2, 1931. Legislative authority is vested in a seven member council. Council members are elected by districts for two year staggered terms. A council president, who presides at all meetings of the legislative authority, but has no vote except in case of a tie, is elected at large for a two year term. The Mayor is the chief executive and administrative officer who is elected for a four-year term.

The Council is the legislative authority of the City. Council shall provide for the employment of a Clerk of Council. The Clerk of Council attends all Council meetings and keeps a record of all proceedings, rules, bylaws, and legislation. All legislative powers of the City shall be vested in, and exercised by, the Council.

The Mayor exercises supervision and control over all administrative departments of the City. The Mayor appoints all officers and employees of the City, except the other elected officials of the City and the employees in those departments. The Mayor may make recommendations to Council, to introduce ordinances and has the power to appoint various City officials. The Mayor has the power to veto ordinances or resolutions. The Mayor acts as the Safety Director for the City. The Charter establishes the Divisions of Police and Fire within the Department of Safety.

The Director of Service shall have charge of the construction and maintenance of all public works such as repairs to and cleaning of streets, sidewalks, alleys, bridges, etc.; maintenance of all City buildings and property. The Director of Service shall have charge of the collection and disposal of garbage and rubbish and shall perform such other duties as may be assigned by council.

The Building Commissioner shall approve all plans for buildings, houses, garages, etc., before issuing a permit and shall have charge of inspection of all buildings, houses, garages, etc, under construction and see that all conditions of the City Building Code are complied with.

The Director of Law shall act as the legal advisor to, and attorney and counsel for, the City and for all officers in matters relating to their official duties. The Director of Law shall prepare all contracts, bonds and other instruments in writing in which the City is concerned and shall endorse on each their approval of the form and correctness thereof, and no contract with such City shall take effect until the approval of the Director of Law is endorsed thereon.

The Finance Director serves as the fiscal officer for the City. The Finance Director shall cause an accurate account to be kept of all taxes and assessments, of monies due to and all receipts and disbursements by the City, of all assets and liabilities of the City, and of all appropriations made by Council. The Finance Director shall, at the end of each fiscal year, and at other times as required by Council, audit the accounts of several departments and officers, and shall audit all other accounts in which the City is interested. The Finance Director shall prepare the annual budget.

The City Engineer shall have charge of the making and preservation of all surveys, maps, plans, drawings and estimates of all public work, and shall perform such duties as may from time to time be directed and authorized by council.

A Health Board which consists of the Director of Safety and the Superintendent of Schools of Maple Heights District may, with the approval of Council, contract with the County Board of Health or combine with other health districts to take care of any health activities.

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The City Charter establishes the following departments and divisions:

Department of Safety
 Police Division
 Fire Division
Department of Service
Department of Law
Department of Finance

On February 15, 2015, the City was declared in a state of fiscal emergency by the Auditor of State. A Financial Planning and Supervision Commission (the Commission) was established under Section 118.05 of the Ohio Revised Code. The Commission membership is as follows:

1. The director of the State office of Budget and Management or a designee;
2. The Mayor of the City;
3. The President of City Council or a designee;
4. The Treasurer of State or a designee; and
5. Three individuals appointed by the Governor with knowledge and experience in financial matters whose residency, office, or principal place of professional or business activity is situated within the City.

The powers, duties, and functions of the Commission may include:

1. Review all tax budgets, tax levy ordinances and bond and note resolutions or ordinances, appropriation measures, and certificates of estimated resources, to ensure they are consistent with the financial recovery plan;
2. Inspect and secure copies of pertinent documents of the City;
3. Inspect and secure copies of pertinent documents of the County or State agencies relating to the City;
4. Review, revise and approve determinations and certifications affecting the City made by the County Budget Commission or the County Auditor;
5. Bring civil actions to enforce fiscal emergency provisions;
6. Approve the amount and purpose of any debt obligations;
7. Implement steps necessary to bring accounting records, accounting systems and financial procedures and reports into compliance with the Auditor of State's rules;
8. Make and enter into all contracts necessary or incidental to the performance of its duties;
9. Make recommendations for cost reductions or revenue increases to achieve a balanced budget; and,
10. Annually, before April 1, make a report and recommendations to the Speaker of the House of Representatives and President of Senate on the progress of the City.

This Commission adopted a financial recovery plan on February 24, 2016. By State statute, the City must operate within the provisions of the recovery plan.

The Commission will continue in existence until the Auditor of State or the Commission itself determines that:

1. An effective financial accounting and reporting system is in the process of being implemented and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated and no new emergency conditions have occurred;

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3. The objectives of the financial recovery plan are being met; and,
4. The City Council has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "non-adverse."

Once these requirements are satisfied, the Commission will be terminated.

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Budgetary System

Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining how much and the type of financial resources that shall be raised, and how those financial resources shall be spent. An annually appropriated budget should be adopted by ordinance, for all funds other than agency funds, and the amounts appropriated for each fund should not exceed the estimated resources available for the year. The budget should present sufficient information to identify the major sources of revenues and the programs, activities and major objects of expenditures. The process should encompass current operations and maintenance for the various city departments, programs offered to its residents, capital acquisition and replacement and debt retirement. The adopted budget should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized revenues and balances available for obligation.

Charter Requirements

Section 9 of the City Charter states that on or before the first business day of March in each year the Director of Finance shall prepare an estimate of the expense of conducting the affairs of the City for the year. This estimate shall be compiled from detailed information obtained from the various departments and shall set forth all information required by State law or requested by Council. Upon receipt of the estimate, the Council shall at once prepare an appropriation ordinance in such manner as may be provided by ordinance or resolution, using the estimate as a basis. Provision shall be made for public hearings upon the appropriation ordinance before a committee of the Council or before the entire Council sitting as a committee of the whole.

Statutory Requirements

The Tax Budget: The Cuyahoga County Budget Commission requires a tax budget containing levy information for all funds that receive property tax revenue to be submitted to the County Fiscal Officer as Secretary of the County Budget Commission, by July 20 of each year, for the succeeding year. Prior to submission, a notice and public hearing are required. The County Budget Commission examines the budget to ascertain that all tax levies of the City are properly authorized. The Budget Commission also revises and adjusts the estimated receipts for property taxes and local government fund allocations. On or about October 1, Council must authorize, by resolution, the necessary tax levies and certify them to the County Fiscal Officer.

Certificate of Estimated Resources: The County Budget Commission issues an official certificate of estimated resources on or about September 1, based on the revenue estimate submitted by the City and other information available to the Budget Commission. About January 1, the Director of Finance certifies the actual year end balances for all City funds to the budget commission. Upon receipt of the information, the budget commission issues an amended official certificate of estimated resources that includes the unencumbered fund balance at December 31. Further amendments may be made during the year if the Director of Finance determines that the revenue to be collected by the city will be greater than or less than the amount included in the official certificate.

Appropriations Ordinance: On or about January 1, an annual appropriation ordinance must be enacted by city council. Prior to the passage of the annual appropriation measure, a temporary appropriation measure may be passed to meet the ordinary expenses of the city until April 1. The appropriation ordinance, by fund must be within the estimated resources as certified by the county budget commission. Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department

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and division, and within each, the amount appropriated for personal services. Any revisions that alter the appropriations at the level adopted by Council must be approved by Council. The City may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent amended certificate of estimated resources.

No appropriation measure shall become effective until the County Fiscal Officer files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the County Fiscal Officer shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure.

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and maintain legal compliance with the adopted appropriations. Expenditures plus encumbrances may not legally exceed appropriations.

Administrative Code Requirements

According to Section 117.2.02 of the Administrative Code, all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The legal level of control is the level at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates. For all local public offices subject to provisions of Chapter 5705 of the Revised Code, the minimum legal level of control is described in Section 5705.38 of the Revised Code as department, personal services and other. The legal level of control is a discretionary decision made by the legislative authority and must meet or exceed the level prescribed in Section 5705.38 of the Revised Code.

Methods Used by the City

The annual budget process begins in July with the preparation and filing of property tax levy and debt information with the County Budget Commission. The legally required tax budget is waived by the county budget commission and an alternative tax budget is filed. Five schedules which include a listing of all tax levies, estimated receipts for all funds, inside millage for debt service, voted millage and any tax anticipation notes are filed with the Budget Commission. Estimated receipts for the ensuing year are based on five years of historical data and current year to date information. The alternative tax budget is reviewed and adopted by City Council prior to submitting it to the County Budget Commission on or about July 20. The 2017 alternative tax budget was adopted by Council on July 6, 2016.

Council adopted a resolution to authorize the rate of the tax for the levies to be collected in 2017 on September 7, 2016 and certified it to the County Budget Commission. The County is required to provide the City with a certificate of estimated resources based on the tax budget by September 1. The original certificate of estimated resources was received from the County on December 13, 2016.

Once City Council has certified the tax levies, work begins on appropriations for the following year. The appropriations are prepared by the Finance Director. The new year estimates are based on information available at the time of preparation and historical data. In preparing appropriations for the next year, all department heads provide the Finance Director with wage projections for the employees in their department. Salaries and benefits are set based on bargaining agreements approved by Council. Before the budget is presented to Council a finance committee meets to approve or make adjustments. A temporary appropriation ordinance for all funds for 2017 was adopted by Council on December 21, 2016. Annual appropriations for

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2016 were adopted by Council on March 18, 2016. Council establishes the legal level of control for all funds at the object level within each fund and department. Any increase or decrease in appropriations at the object level must be approved by Council through resolution.

After the close of the year, the Finance Director certifies the year-end fund balances to the County Budget Commission and requests an amended certificate of estimated resources that includes the actual unencumbered fund balances of the preceding year. The City submitted the 2016 year end fund balances to the County and received an amended certificate on December 13, 2016. This was the only amendment to the certificate throughout 2016. The City requested a new certificate from the County during February, 2017.

Certified copies of the appropriation measures are filed by the Finance Director with the County Fiscal Officer upon adoption. The City receives from the County Fiscal Officer a certificate that the total appropriations from each fund did not exceed the official or amended certificate of estimated resources.

All revenue and appropriation changes are entered into the City's accounting system by the Finance Director or the Accountant within a few days of approval of Council.

Auditor of State Comments

- Pursuant to Section 5705.10, Revised Code, the City should credit money levied and collected to the proper fund. During 2016 the City had deficit cash balances in the general fund, the FEMA fire grant special revenue fund and the bond retirement fund. The City should no longer use the money from one fund to pay the obligations of another fund.
- Pursuant to Section 5705.39, Revised Code, the City should not appropriate money in any fund in excess of the total estimated resources available for expenditure from that fund. During 2016, the City had appropriations that exceeded estimated resources in police services levy and ambulance billing service special revenue funds. The City should only appropriate an amount in each fund equal to or less than the amount of revenue certified by the budget commission as available to spend in each fund.
- Pursuant to Section 5705.41(B) Revised Code, the City should not make any expenditure of money unless it has been appropriated. During 2016, the City had expenditures plus encumbrances that exceeded the Council adopted appropriations in several funds. The City should only spend and encumber money within the amount of adopted appropriations.
- The Finance Director does not request a new amended certificate for new sources of revenue that they intent to appropriate. The Finance Director should request a new amended certificate from the County Budget Commission for new sources of revenue to appropriate.
- The Finance Director does not compare appropriations to estimated resources. The Finance Director should document the comparison of appropriations to estimated resources. This comparison should be presented to Council upon request for supplemental appropriations demonstrating the effect of supplemental appropriations and compliance with budgetary requirements, if adopted.

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Chart of Fund and Account Codes

Description of Effective Chart of Fund and Account Codes

Common terminology and classification should be used throughout the budgeting, accounting, and financial reporting activities. The consistent use of fund account codes is necessary to classify and summarize receipt and disbursement transactions. Fund codes should allow for the classification and identification of fund types and individual funds. Receipt and expenditure codes should allow the transactions to be summarized by major revenue sources or expenditure programs. Major object codes for expenditures should be used consistently throughout the various program and activity codes.

Charter Requirements

The City's Charter has no requirements related to the chart of fund and account codes.

Statutory Requirements

The creation of funds is authorized by section 5705.09 of the Revised Code. Section 5705.13 of the Revised Code allows for the creation of a reserve for budget stabilization, payment of claims under a self-insurance program, and the payment of claims under a retrospective workers' compensation plan. This section also allows for a special revenue fund to accumulate resources for the payment of sick and vacation leave. Additionally, it allows for creation of capital projects funds to accumulate resources for up to ten years for the acquisition, construction, or improvement of capital assets. Funds may also be established under section 5705.12 of the Revised Code with the written approval of the Auditor of State.

Methods Used by the City

The City establishes funds as required by the Ohio Revised Code. The Finance Director assigns the new fund numbers. The fund numbers are assigned based on a chart of funds that reflects its fund type classification. The current fund structure includes: 100's – General; 200's – Special Revenue; 300's – Debt Service; 400's – Capital Projects; 500's – Enterprise; 700's – Agency. Account codes are assigned and entered into the computer system by the Finance Director based on the type of account. Each account code consists of twelve digits. The first three digits designate the fund, the fourth, fifth, sixth, and seventh digits designate department, and the last five digits indicate the specific type of revenue or expenditure object code.

Auditor of State Comments

None

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Accounting Ledgers

Description of Effective Accounting Ledgers

The accounting ledgers of the City should allow for ongoing and timely information on estimated and actual revenues, disbursements and encumbrances, comparison of expenditures to the appropriation authority, available cash balances for each fund, and the available treasury balance. The information captured for each transaction should allow the transaction to be trailed throughout the ledgers and back to the document that originated the transaction.

Charter Requirements

The City's Charter does not address accounting ledgers.

Administrative Code Requirements

Section 117-2-02(A) of the Ohio Administrative Code requires that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Administrative Code Section 117-2-03.

Section 117-2-02(C) (1) of the Ohio Administrative Code states that all local public offices should integrate their budgetary accounts into their financial accounting system at the legal level of control or lower. The Accounting system should provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Section 117-2-02(D) of the Ohio Administrative Code states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automation and other factors. Such records should include the following:

Cash Journal – The cash journal is the book of original entry for recording all cash receipts and disbursements processed in the City Finance Director's office. The cash journal presents receipts deposited to and warrants drawn against the City treasury and the funds to which the receipts and warrants were recorded. Entries to the cash journal are posted sequentially by date from source documents such as pay-in orders and warrants. The related pay-in order or warrant number, account codes, and date are also recorded for each transaction. At the end of each month, month-to-date totals and year-to-date totals are generated.

Receipt Ledger – The receipt ledger is used to summarize receipts by fund and account. In addition, the estimated revenue and uncollected balance are presented for each source of revenue. Estimated revenues are recorded from the detail used in the preparation of the tax budget and are adjusted for any amendments to the certificate of estimated resources. Receipt transactions are posted from the cash journal based on the account code. A balance reflecting the estimated amount remaining to be received is computed. At the end of each month, month-to-date totals and year-to-date totals are generated.

Appropriation Ledger – The appropriation ledger is used to summarize appropriations, disbursements and encumbrances, by fund and account. In addition, the ledger accommodates the encumbering of obligations of the City, the warrant/check issued for the payment of the obligation, and necessary adjustments to an appropriation account. The ledger also facilitates budgetary control by enabling the City to keep its

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disbursements and encumbrances within the amounts appropriated by Council. The unencumbered appropriation balance provides information on the amount available for obligation. At the end of each month, month-to-date totals and year-to-date totals are recorded.

Methods Used by the City

The City uses SSI Software Solutions eGovPro accounting system, a fund accounting software package, to maintain its accounting records. The City has software and system support services with SSI for their various applications. The City uses the software's Payroll and Financial Management System modules. The servers are located in a locked closet on the first floor of City hall and are protected from power surges.

The SSI software incorporates estimated revenues and appropriations by fund and account. The software program allows for the accumulation and aggregation of budget and actual information. Detailed receipt and expenditure information is accumulated by fund, revenue source, expenditure program, department and object code. The software provides month and year-to-date information and detailed and summary information for receipts and expenditures. The Finance Director's Office has a SSI accounting system user manual referencing financial management and payroll processes, including steps to be taken at year-end.

The building department uses CityBuilt SafeBuilt software for tracking building receipts. CityBuilt maintains the administrative rights to the software and needs to be contacted for changes to be made. Each day, Building Department staff prepares a daily finance report for the Finance Department. The report lists the receipts and is included with cash and checks received by the building department. The Finance Department returns a receipt to the Building Department for the amount of monies received.

System backups for the Finance Director's Office and Building Department are done on the Cloud by their IT consulting firm, iTech.

The Mayor's Court uses Henschen Court System software to track fines. Each day, the Court Administrator prepares a Daily Cashbook Report summarizing fines collected and delivers it, along with a deposit slip and collected monies, to the Finance Department. Their server, which is shared by the Police Department, is located in a locked room within City Hall. Only the Police Department has the key to this room. The server is backed up daily to a server in the Fire Department.

The City does not have a written disaster recovery plan identifying how the City would restore operations, including information technology and accounting functions if the City would experience a serious incident (flood, explosion, computer malfunction, accident, grievous act).

Auditor of State Comments

- The City does not have a written disaster recovery plan identifying how the City would restore operations including information technology and accounting functions if the City would experience a serious incident (flood, explosion, computer malfunction, accident, grievous act). The plan should address common terminology, preventative measures, a readiness plan, offsite locations and an emergency contact list. The City should develop and implement a disaster recovery plan.

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Revenue Activity

Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent identification and recording of each receipt. Receipts should be promptly recorded, safeguarded, and deposited. A pre-numbered, multi-part receipt form or a system-generated receipt form should be issued for any payment received by departments. The receipts should bear the name of the entity and reflect the date received, the payer, the amount, the purpose/nature of the receipt, and the signature of the person preparing the receipt. Departmental receipts should be summarized and remitted to the finance department daily. The finance department should issue pay-in orders to those departments depositing collections to the finance department and for any payments received by the finance department. The pay-in order forms should be a multi-part, pre-numbered form that bears the name of the entity, the date received, the payer, the amount, the purpose/nature of the receipts, the account code, and the signature or name of the person preparing the pay-in order. Supporting documents should be attached to a copy of the pay-in order and filed numerically or by payer. All pay-in-orders should be recorded in the cash journal and receipts ledger in a timely manner. Adequate safeguards should be in place to ensure that one individual does not have total control over the receipting of monies, deposit of monies, posting of receipts, and reconciliation of bank accounts.

Statutory Requirements

Section 9.38, Revised Code, provides that a person who is a public official, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public monies so received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

Section 1901.026, Revised Code, provides that the operating costs of a municipal court that has territorial jurisdiction that extends beyond the corporate limits of the municipal corporation in which the court is located shall be apportioned pursuant to this section among all of the municipal corporations and townships that are within the territory of the court. Each municipal corporation and each township within the territory shall be assigned a proportionate share of the current operating costs of the municipal court that is equal to the percentage of the total criminal and civil caseload of the municipal court that arose in that municipal corporation or township. Each municipal corporation and each township is liable for its assigned proportionate share of the current operating costs of the court.

Methods Used by the City

Finance Department

The various departments within the City bring their receipts and deposits to the Finance Department. The Building Department remits their receipts and deposits daily along with a daily finance report summary. The Mayor's Court remits their receipts and deposits along with a daily cashbook report daily. In some instances receipts and deposits are not brought to the Finance Department daily, such as when a department takes in a single small receipt. All receipts along with summary reports are verified by the Accounts Payable Clerk. When receipts and deposits are brought to the Finance Department, the Accounts Payable Clerk will verify the receipts and deposits with the summary reports with the department employee present. If the amounts are

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correct, a receipt is filled out from the receipt book and the Accounts Payable Clerk signs it. One copy is given to the department employee and the other is kept in the receipt book held in the Finance Department. All deposits are held in a locked safe located in the Finance Department. At the end of the day, the Accounts Payable Clerk will take all of the deposits for the day to the bank. The deposits are taken to the bank in a zipped bank bag. The Accounts Payable Clerk will take the bag inside the bank and once the deposits have been counted by a bank clerk a deposit slip is given back to the Accounts Payable Clerk and taken back to the City.

The Finance Department receives property taxes, homestead and rollback monies, special assessments, utility billings, ambulance services and most Federal, State and local grants by wire transfer to the City's general checking account. The Finance Department Accountant reviews the online previous daily activity reports, on a daily basis, for the general checking account to view wire transfers that have been posted. The Accountant will identify the proper account codes and prepare a receipt from the receipt book held in the Finance Department for each wire-transferred received and enters the information into the eGovPro system. The Accountant will also book any deductions, such as administrative fees, as memo expenditures.

Receipt of Income Taxes: The City levies a municipal income tax of 2.50 percent on all salaries, wages, commissions and other compensation, and the net profits earned within the City, as well as income of residents earned outside of the City. The City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA). It is mandatory that all City residents and corporations file tax returns.

The annual income tax forms are mailed to City residents and businesses in January each year. The annual tax return is due by April 15th. A declaration of estimated taxes for the new year is included as part of the annual return. Estimated tax payments are due quarterly by the last day of the month in April, July, October and January. The estimated billing statements are mailed out approximately 30 days before each estimated quarterly payment is due.

Employers are required to remit employee withholdings quarterly. The quarterly forms are mailed to employers during the month of December and are due on the last day of the month following the end of each quarter.

The Regional Income Tax Agency (RITA) collects the City's Income Tax and assists with the collection of delinquent accounts. Semi-monthly, the City receives a distribution report, an EFT and a report of the amounts collected by RITA. The gross income tax receipts and expenditures for collection are booked to the general fund. Residents may also pay their income tax bills in the Finance Department. In this rare instance, an income tax department payment receipt is filled out and remitted to RITA by the Finance Department. The Finance Department will retain a copy of this receipt and the original will get sent to RITA along with the check or money order made out to RITA.

Utility Receipts – The City contracts with the City of Cleveland for sewer utility service billing and collection. Utility receipts are deposited electronically by the City of Cleveland into the City's checking account. The amount deposited is net of billing fees. The City receives a monthly distribution report from the City of Cleveland reflecting the amount collected during the month as well as the bill for their collection fee. The Accountant records the net receipts for utility service charges collected in the accounting system. Sewer service charges are recorded in the Water Use Charge.

Ambulance Service Receipts – The City contracts with Life Force Management for ambulance service billing and collection. Ambulance service receipts are deposited electronically by Life Force Management into the City's checking account. The amount deposited is at gross. The City receives a monthly distribution report from Life Force Management reflecting the total amount collected during the month. The Accountant

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records the gross amount of ambulance service charges collected in the accounting system. Life Force Management also sends a bill to the City for a collection fee which represents 7 percent of the monthly collections. The Accounts Payable Clerk processes the collection fee payment and the Accountant records the disbursement received from Life Force Management. Ambulance service charges and disbursements are recorded in the Ambulance Billing Service Fund.

Senior Center

The Senior Center receives money in the form of donations for meals, home delivery and transportation. Cash only donations are received for meals. Meal donations received at the Senior Center are placed in a donation box. Every day, the donations are counted by a volunteer at the Senior Center and the amount is recorded on a deposit record sheet and placed in an envelope. The envelope is given to the Director of the Senior Center or a Supportive Service employee of the Senior Center. The Director or employee will recount the money to verify the amount and place the envelope into a locked safe until it is to be taken to the Finance Department. The envelope is taken to the Finance Department either daily or no later than every other day. Either the Director or Supportive Service employee will deliver the envelope to the Finance Department. The Accounts Payable Clerk will count the money and verify the amount on the envelope. If the amounts match, a receipt is written and signed by the Accounts Payable Clerk. One copy is given to the Senior Center employee and the other is kept in the receipt book. The money is placed in the safe located in the Finance Department to be taken to the bank at the end of the day.

The Senior Center operates three vans that deliver approximately 80 meals a day to senior residents of the City and also provides those residents with transportation. Each van has a locked box in it. Suggested donation amounts are \$1.50 per meal and \$1 per ride. Cash and checks donations are accepted. Donations are placed in the locked box. At the end of each week, with the meal and transportation coordinator collects the locked boxes from the vans and counts the money. The money is placed in an envelope and a listing of the cash, checks or coins are written on the envelope and given to either the Director or Supportive Service employee who will recount the money and verify the amounts on the envelope. The following Monday, the envelope is taken to the Finance Department by either the Director or Supportive Service employee and the Accounts Payable Clerk will count the money and verify the amount on the envelope. If the amounts match, a receipt is written and signed by the Accounts Payable Clerk. One copy is given to the Senior Center employee and the other is kept in the receipt book. The money is placed in the safe located in the Finance Department to be taken to the bank at the end of the day.

Police Department

The Police Department takes in police towing fees and bail bonds. The towing fee is set at \$75 per City ordinance. Towing fees may be paid in cash at the police department. Any employee in the police department may collect the payment. When a customer pays, a receipt is filled out and given to the customer. The payment is recorded on a tow/impound recap sheet. The cash is placed in a locked box by the Records Room personnel. Approximately once a week, the cash in the lock box is counted and reconciled to the recap sheet. An Auxiliary Police Officer will take the cash and recap sheet to the Finance Department. The Accounts Payable Clerk counts the cash and compares it to the recap sheet. If the cash and recap sheet tie, a receipt is written and the Accounts Payable Clerk will sign the recap sheet and receipt.

Bail bonds are set by either the Garfield Heights Municipal Court or by the Maple Heights Mayor's Court. Bonds may be paid in cash at the police department. In addition to the bond payments, a \$25 non-refundable fee is required to be paid with each bond. When a bond is paid a receipt is written and given to the customer. The cash amount and receipt number recorded on manila court envelope. There is one envelope for Garfield Heights Municipal Court and one envelope for Maple Heights Mayor's Court. The cash is placed inside the respective envelopes and held in the safe located by the booking window in the police department. At the end of the day, the auxiliary officer on duty will deliver the cash and envelopes to the respective courts. The

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envelope delivered to the Maple Heights Mayor's court is delivered to the Court Administrator who will count the bonds and verifies the payments made. The Court Administrator initials and dates the envelope and the auxiliary officer will take the envelope back to the police department.

Mayor's Court

The Maple Heights Mayor's court has jurisdiction within the City of Maple Heights. The receipting of fines, fees and other funds is done by the Mayor's Court office. Payments can be made by clients in person by cash, check, credit card or money order. Payments can also be made over the phone or by mail by check, credit card or money order.

The Mayor's Court Administrator receives the original copy of the citation written by the police department. Each citation written has a box to be marked by the police officers to determine which court has jurisdiction over the citation. If a citation is not within the City of Maple Heights, the citation is sent to the City of Garfield Heights municipal court. The police department will ensure delivery of those citations to the City of Garfield Heights. The citation information is entered to the Court computer system. A jacket is prepared for all citations after they have been entered into the computer system. The system generates a court case number for the citation and enters it into the automated court docket. The Court Administrator files the jacket alphabetically. When the citizens arrive the day of court, the jacket citations are placed in the order they are signed in. When the case has been closed the jacket citation is filed by case number.

The Maple Heights Mayor's court charges fines and court costs based on the waiver schedule established by the Court and in compliance with the requirements of the Ohio Revised Code. The Court Administrator maintains a copy of the current waiver schedule and is available on the Court's website. A fee schedule with corresponding ordinance numbers for violations is posted outside the court. The Court Administrator uses the fee schedule to determine the amount owed for the citations and court costs. The Court Administrator receives payments for all citations and court costs.

When payment for citations are received, they are entered to the Court computer system and a receipt is automatically generated to give to the client. A second receipt is printed to be filed with the citation jacket. The Mayor's Court computer system posts to the Mayor's Court cashbook which shows the case number, defendant, receipt number, receipt date, amount received, the section number where the fines are applied and the total amount paid.

Cash deposits made by customers are held in a locked drawer of the Court Administrator's desk. At the end of the day, the Court Administrator takes the daily cashbook report along with the receipts and cash deposits for the day to the Finance Department. The Accounts Payable Clerk counts the receipts and deposits and compares them to the daily cashbook report. If the amounts match, then a receipt is written and the Accounts Payable Clerk signs it. The Court Administrator retains a copy of this receipt. The Accounts Payable Clerk deposits the monies into the Mayor's Court bank account.

At the end of each month, the Court Administrator prepares a monthly summary of the disbursements owed to the City along with a monthly cashbook report generated from the Court computer system. The monthly summary along with the monthly cashbook report is given to the Finance Department. The monthly summary identifies the fund descriptions for where the amounts need to be posted. The Court Administrator writes checks from the Mayor's Court bank account that are owed to the City as well as to the State.

Building and Housing Department

The Building Department receives payments for all building permits, licenses, inspection report fees and regulated activities under City ordinance. The payments are often made in person but some are also received by mail. The customer will fill out a permit application or license registration. The Building Secretary,

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Permit Technician and Zoning Inspector will take the application or registration and enter the information into the computer system. The system will generate a receipt which prints three copies. Two copies of the receipt are given to the customer for their records and location of the permit. The third receipt is retained by the Building Department for their records.

At the end of the day, the Building Department Secretary counts the day's collections and prints out a Daily Finance Report and Daily Permit Report summaries which are generated by the system. The Building Department Secretary compares the day's collections to these summaries. The Daily Finance Report and Daily Permit report summaries along with the daily collections are handed to the Accounts Payable Clerk in the Finance Department. The Accounts Payable Clerk will count the daily collections and compare it to the Daily Finance Report. If the amounts match what the Building Department Secretary has presented, the Accounts Payable Clerk will fill out a receipt and sign it. The Building Department Secretary will retain a copy of this receipt along with the Daily Finance Report in the Building Department.

Auditor of State Comments

- According to Revised Code Section 9.38, all monies received must be remitted to the Finance Department by the next business day after receipt. If the amount is less than \$1,000 and a policy is specifically adopted outlining the procedures, the monies can be held up to a maximum of three business days after the day of receipt. Some departments may hold their receipts longer than a day in the instances where they have small deposits to be made. The City should ensure that cash receipts are being remitted daily, or institute a specific policy outlining how many days it may be held, up to a maximum of three, and relevant procedures.
- A procedures manual should be created describing the recording of the receipts in the Police Department, Building Department, Finance Department, Mayor's Court and Senior Center. The procedures should include the process of safeguarding of receipts, timely deposits, the segregation of duties and the collection and recording of receipts.
- The Finance Director should have the procedures used throughout the City in the recording of receipts documented and maintained in the finance department.
- In all departments, the same person should not be counting cash, completing daily cash reports and taking the deposit to the bank. In the Finance Department, the Accounts Payable Clerk counts the cash, tracks the deposits and takes the deposits to the bank.

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Purchasing Process

Description of an Effective Method for Purchasing

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded and the purchase of items should be in agreement with the budget. The process should include selection of the vendor with the best price as well as authorization by an appropriate individual. In addition, authorization must include the City Finance Director's certification of the availability of funds stating that the amount has been appropriated and is encumbered. All purchase orders should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Charter Requirements

Article VII Section 18 of the City Charter requires contracts to bear the signature of the Mayor. Chapter 210 of the City Administrative Code describes purchasing procedures for the City. Chapter 240 of the City Administrative Code requires Council approval for expenditures over \$1,000.

Statutory Requirements

Several State laws govern the purchasing process. The requirements are as follows:

Certification of the Fiscal Officer - Each contract or order for the expenditure of money must be accompanied by a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing year, the amount required to meet the obligation in the year in which the contract is made, has been lawfully appropriated for such purposes and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrance. This certificate need be signed only by the subdivision's fiscal officer.

Blanket Certification of the Availability of Funds: The subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose that do not extend beyond year end in an amount established by resolution of City Council. A general certification of this type may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine recurring type items or for unanticipated emergencies. An itemized statement of obligations incurred and expenditures made under such certificate shall be rendered to the auditor or other chief fiscal officer before another such certificate may be issued, and not more than one such certificate shall be outstanding at a time.

"Super" Blanket Certification of the Availability of Funds: The super blanket certification permits the fiscal officer to certify any amount from a specific line item appropriation. The certification is authorized to be outstanding for any period up to the end of the fiscal year and more than one certificate is permitted to be outstanding at one time. The certification must identify a specific line item appropriation in a specific fund. The certification may be limited to a specific vendor, if desired. A list of obligations incurred and expenditures made under each certification must be maintained and provided by the fiscal officer.

Purchases that may be made through the use of a super blanket certificate are the services of an accountant, architect, attorney at law, physician, professional engineer, construction project manager, consultant, surveyor or appraiser by or on behalf of the subdivision; fuel oil, gasoline, food items, roadway materials and utilities; and any purchase exempt from competitive bidding under Ohio Revised Code Section 125.04 and any other specific expenditure that is a recurring and reasonably predictable operating expense.

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Then and Now Certification - It is intended that the fiscal officer's certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate both at the time the order was placed (then) and at the current time (now) a sufficient sum was appropriated for the purpose of such contract and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. If the amount exceeds \$3,000, the City Council has thirty days from receipt of such certificate to approve payment by resolution. If approval is not made within thirty days, there is no legal liability on the part of the City.

Authority to Contract - Contracts are authorized by the City Council and signed off on in the name of the City by the Safety Service Director, Board of Control Secretary, City Law Director and City Finance Director, except as otherwise specified by State statute. Contracts over \$50,000 are awarded by the Board of Control.

Bidding - All contracts calling for expenditures in excess of \$50,000 shall be in writing and made to the lowest and best bidder. Council must authorize and direct all such expenditures. Exceptions to the bidding requirements include contracts for:

1. Personal services of a specialized nature;
2. Goods and services when only one source is available;
3. Work to be done or for the purchase of supplies and materials in any department of the City if real and present emergency exists;
4. The purchase of used equipment and supplies at a public auction or at a sale where bids are required by all parties wishing to purchase;
5. Purchases from other political subdivisions and agencies; and
6. Goods purchased under the State Cooperative Purchasing Program.

Findings for Recovery Database - Effective January 1, 2004, State statute (Revised Code section 9.24) prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to a person against whom a finding for recovery has been issued by the Auditor of State on or after January 1, 2001, if the finding for recovery is unresolved.

Per Auditor of State Bulletin 2004-006, a contract for purposes of Section 9.24 of the Revised Code is awarded when a written agreement is executed pursuant to a formal competitive contracting procedure that may include competitive bidding, requests for proposals, or invitations to bid. A purchase arrangement that does not involve competitive contracting procedures does not constitute the awarding of a contract and is not subject to Revised Code section 9.24. For purchases made off the State term schedule, the Ohio Department of Administrative Services engages in a contracting process as described under Attorney General Opinion 2004-014 and, consequently, is required to comply with Revised Code section 9.24. State agencies and political subdivisions that purchase off the State term schedule do not engage in their own contracting processes and are not subject to the provisions of Revised Code section 9.24.

Section 9.24 (G)(1)(a) of the Revised Code states that the only contracts subject to the provisions of the statute are those contracts in which the cost of goods, services, or construction exceeds \$25,000. Section 9.24 (G)(1)(b) of the Revised Code provides an exception to this rule and applies the statute to a contract awarded to any person who, in the previous year, received contracts from the State agency or political subdivision, the aggregate of which exceeded \$50,000.

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Delinquent Personal Property Taxes - Section 5719.042 of the Revised Code provides that after the award by a taxing district of any contract let by competitive bid, and prior to the time the contract is entered into, the person making a bid shall submit to the fiscal officer a statement affirmed under oath that the person with whom the contract is to be made was not charged, at the time the bid was submitted, with any delinquent personal property taxes on the general tax list of personal property of any county in which the taxing district has territory, or that such person was charged with delinquent personal property taxes on any such tax list, in which case the statement shall also set forth the amount of such due and unpaid delinquent taxes and any due and unpaid penalties and interest thereon. If the statement indicates that the taxpayer was charged with any such taxes, a copy of the statement shall be transmitted by the fiscal officer to the County Treasurer within thirty days of the date it is submitted.

Campaign Financing (HB 694) - Section 3517.13 of the Revised Code states any bid or unbid contract, purchase order, or collective bargaining agreement with a value of more than \$10,000 requires the vendor to certify to the contracting authority that the vendor has not made a contribution to the contracting authority in an amount that exceeds the limits provided by law.

Administrative Code Requirements

Section 117-2-02(C)(2) of the Ohio Administrative Code states, “purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by Section 5705.41(D) of the Revised Code. Purchase orders are not effective unless the fiscal officer’s certificate is attached. The certificate should be attached at the time a commitment to purchase goods or services are made.”

Methods Used by the City

A City department makes the decision that they need to purchase an item or obtain service from an outside vendor. This process is initiated by a Request for a Purchase Order. The Request for a Purchase Order form is filled out by the employee who plans to make a purchase, typically the department head or clerk. The form is completed using information such as the name of the department submitting the requisition, a description of the planned purchase, and the dollar amount of the purchase. The form is then signed by the head of the department indicating his or her approval. The department head then submits the Request for Purchase Order form to the Finance Department office.

The Accounts Payable Clerk first checks the Request for Purchase Order form and based on the department that originated it determines whether sufficient funds have been appropriated against which to encumber the funds necessary for the Purchase Order. This is determined by checking the available funds in the City’s eGovPro software. In the event that sufficient funds are not available for the given account code, the Request for Purchase Order form is returned to the respective department and the department is notified that there are not sufficient funds. The department then has the option to either transfer funds from a different account code to the one in question, or they can go through the appropriation process to get additional funds appropriated. If appropriated funds are available, the Accounts Payable Clerk enters the information into the computer system and prints a Purchase Order.

At this point, the Purchase Orders are submitted to the department head that originated the request and the Finance Director for final review and approval. The department head signs the purchase orders to signify approval, followed by the Finance Director’s review and approval. Copies are made for the department and for the vendor if they request it. In most cases, vendors only request a purchase order number.

A vendor list is maintained in the eGovPro system. Purchase orders can only be created using a vendor from the approved vendor list. Prior to being added to the approved vendor list, vendors must submit an IRS form W-9 to the City. When a department wants to go through a vendor that is not yet in the City’s system, the Accounts Payable Clerk is notified. The Accounts Payable Clerk then adds the vendor into the system and assigns it a vendor number so that it can be added to the Purchase Order.

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There is no official process for selecting a vendor for a purchase. The vendor is specified by the department submitting the requisition, and is typically based on familiarity with a vendor for a given product which is developed over time or based on the selections of other municipalities.

Blanket Purchase Orders are used for the purposes of office supplies, parts for Service Department machinery, and other recurring expenses. As expenditures are made against these blanket purchase orders, invoices will be sent with signed copies of the blanket purchase order attached to the Accounts Payable Clerk, who processes them in the same way all other invoices are processed. Departments keep records of these purchases to track blanket purchase orders.

Council authorizes the City to advertise for bids. The Clerk of Council, Law Director, or department head advertises for bids in the Neighborhood News newspaper and sometimes in the Plain Dealer newspaper. Bids are submitted from the various bidders, who must supply the City with various documents at that time. These documents include an explanation of the materials and work covered by the bid price, descriptions of past contracting experience and performance indicators on those contracts, disclosure of any reprimands regarding past construction experience, and property tax affidavit forms. They also certify in this way that they are not in the Auditor of State findings for recovery database. Once the open bidding period has ended, the department head reviews the bids and recommends to City Council the contract to the firm they decide has made the best bid as determined by price and other factors. Once the contract has been awarded, an original packet containing the winning bid and all rejected bids are delivered to the Accounts Payable Clerk. The Accounts Payable Clerk stamps the packet to indicate it was received and files it in their office.

Auditor of State Comments

- The original purchase order is not sent to the vendor automatically and is only sent upon request by the vendor. The purchase order should always be mailed, faxed, or emailed to the vendor.
- The City does not perform a search of the Auditor of State's Findings for Recovery Database. The City should perform a search of the Auditor of State's Findings for Recovery database and keep a printed copy of the results of the search on file as proof of verification of vendors.
- The City does not have a formal purchasing policy and purchasing procedures for the City are not documented. A purchasing policy for the City should be developed, adopted by ordinance, and distributed to all departments.
- The City does not have a formal bidding policy and bidding procedures for the City and are not documented. A bidding policy for the City should be developed, adopted by ordinance, and distributed to all departments.
- The City Council, per Section 5705.41(D), Revised Code, should establish, through resolution or ordinance, the maximum amount for blanket purchase orders to be issued by the Finance Director. Blanket purchase orders used without the City Council having set a limit are not valid because the City does not have the authority to use blanket purchase orders without action by City Council.
- The City had instances in which purchase orders were dated after the invoice and/or receipt for reimbursed goods. Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditures of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated. Purchase order should be prepared and approved before items are received or ordered by other means. When purchases are not prepared and approved before items are purchased, there is a possibility the City will not have adequate funds available for the obligations.

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Cash Disbursements

Description of an Effective Method for Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the City. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips or receiving copy of the purchase order, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amount and account codes, and should include a copy of the purchase order, invoice and receiving report or a signed billing slip. A warrant should be prepared based on the completed voucher, the existence of appropriate vendor information (I.R.S. Form 1099 data), a properly executed certification by the City Finance Director and a determination whether there is adequate cash in the fund to pay the obligation. All warrants should be signed by the City Finance Director and recorded in the cash journal and appropriation ledger. Vouchers should be filed numerically or by vendor.

Charter Requirements

The City Charter has no requirements related to cash disbursements.

Statutory Requirements

State law places the following requirements on the disbursements of funds:

Warrants - Expenditures may only be made by a proper warrant drawn against an appropriate fund. The warrant must show upon its face the appropriation from which the expenditure is made and the fund it is drawn upon.

Restrictions - Money is drawn from the City treasury only for appropriations enacted by the City Council. Appropriations from each fund may be used only for the purposes of such fund.

No Certification - If no certificate is furnished as required, upon receipt by the City of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the City may authorize the drawing of a warrant in payment of amounts due upon such contract, but such ordinance shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without such affirmation of the taxing authority of the subdivision or taxing unit, if such expenditure is otherwise valid.

Administrative Code Requirement

Section 117-2-02(C)(3) of the Ohio Administrative Code states “vouchers may be used as a written order authorizing the drawing of a warrant in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information.”

Methods Used by the City

The Accounts Payable Clerk performs the disbursement functions, with the review and approval of the Finance Director.

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The cash disbursement process begins with the receipt of goods and services. These goods and services are delivered directly to the department that originated the Purchase Order. At that time, the department head verifies that the goods received and the accompanying invoice match the Purchase Order. If the Invoiced amount is more than the purchase order then it is investigated. The department head signs and dates the purchase order to indicate that this verification has been completed. This also indicates that the purchase order is approved for payment. The department head then forwards the signed copy of the purchase order as well as the invoice received at the time of delivery to the Finance Department Office via interoffice mail. If an invoice is received that has no purchase order attached, the Accounts Payable Clerk notifies the department that a purchase order needs to be obtained before sending the invoice back.

The Accounts Payable Clerk enters the invoice amounts into the eGovPro computer system and stamps the invoice to indicate it has been entered. With each invoice entry, a batch number is recorded. Based on the batch number, the Accounts Payable Clerk runs an Invoice Status Report, in order to verify the accuracy and completeness of all computer entries. The Finance Director reviews the Invoice Status Report. When these invoice amounts are entered into the computer system, the budgetary system is automatically updated. These updates are reflected in the Post EJ Journal Entries Report which is compared to the Post Register and Invoice Status Report by Batch.

Sometimes multiple Post EJ Journal Entry and Journal Entry by Batch reports go into a single Post Register. Multiple batches generally occur as a result of the fact that some expenditures do not go through the purchase order process and are run directly through the expense journal. This is true of the utility bill, for example, which is paid in total once a month and the amount is not known ahead of time. When this occurs, the reports will not directly tie. When added together, the totals of the Journal Entry by Batch reports will tie to the total of the Post Register report. These reports are stored together by batch. At the end of each month, they are put together and stored in bulk by month.

After the batches are finalized, the warrant checks are then ready to be printed for payment. The warrant checks are printed from the system on to blank, perforated check paper that does not contain the City's name, account number, check number or any other information. This information is printed on the check through the check-printing process. When the checks are printed, the computer system generates the Post Register and automatically updates the related encumbered balance, account balance, and overall cash balance. The Post Register is then submitted to the Accountant. This register logs all monies coming in and out of the general cash account. The Accountant uses the Post Register to input the checks printed that day into the bank activity register in excel.

The Mayor and Finance Director's signatures are both required on the check. The signatures for the Mayor and Finance Director are saved in the printer and print on the warrant checks when they are printed. The Finance Director, Accountant, and Accounts Payable Clerk have the capability to run checks. The check stubs include the P.O. number, amount, and vendor. Check stubs are filed with the Voucher Packets.

Manual checks are written for the escrow account without a Purchase Order. These checks require either the Mayor or Finance Directors signature.

The Accounts Payable Clerk conducts check runs twice per month, once before the fifteenth and once before month end. After the check runs are complete, voucher packets are created that consist of the voucher and its corresponding purchase order and invoice. Checks are mailed by the Accounts Payable Clerk. The voucher packets, along with any voided checks, are stored by vendor in the Accounts Payable Clerk's filing cabinet in the Finance Department office. Post Register Reports showing check numbers and amounts are stored in the Accounts Payable Clerk's office along with the Check Register and physical copies of the checks.

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Some debt payments are made by manual check while others are made by wire transfers or ACH transactions. The Accounts Payable Clerk processes the debt payments made by physical check in the same way all other cash disbursements are processed. Payments made by wire transfer are processed by the Accountant. When the wire transfer is completed, the wire transfer confirmation and a print out of the online banking register showing the payment are printed. Wire transfers and ACH payments are processed as EJ Expense Journals Entries in the eGovPro system. All documentation for debt payments made by all three methods are stored together in the Finance Department Office.

When a check needs to be voided, the word “VOID” is written across the warrant and the date it was voided on is also written on it. In addition, the signature block is cut out. At the time the check is voided in the eGovPro system, the amount can be re-encumbered if need be. In addition, Post EJ Journal Entries, Open Journal Entries by Batch, and Vendor Check Pre-Register reports are run and printed reflecting the void. These reports are filed with the voided check itself.

Auditor of State Comments

- The Finance Director does not review the checks after they are printed and electronically signed. The Finance Director should review the printed checks to ensure that the checks are complete and to ensure that the amounts have not been changed.
- The City should document the procedures for cash disbursements including the staff positions and their functions. This document should also include procedures for invoices exceeding the purchase order and the use of “Then and Now” certifications. The document should be kept on file in the Director of Finance’s office. The document should be reviewed periodically to ensure procedures are followed and it is kept up to date.
- The Finance Director authorizes the payment of City obligations when there is sufficient cash in the treasury to cover the obligations. In addition to sufficient cash in the treasury, there should be a determination of sufficient cash and appropriation in the fund or funds from which the obligation is paid so that deficit cash balances are avoided.
- Various obligations such as utilities, employee benefits and some contracts are paid without the fiscal officer’s certification. Section 5705.41(D), Revised Code, provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer saying that the amount required to meet the obligation has been lawfully appropriated and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. The fiscal officer should provide an appropriate certification for all City obligations.
- Invoices are mailed to the either the originating department or the finance department. The Finance Department should require all invoices to be mailed to the Finance Department. Invoices should be copied and sent to the appropriate department for approval and returned along with the packing slip and any other supporting documentation to the Finance Department.

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Payroll Processing

Description of an Effective Method of Payroll Processing

The processing of the payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross net compensation for the pay period and the year. Standard deductions such as pension, Medicare, and Federal and State taxes, should also be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the employer should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official or by direct deposit to a bank account of the employee. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain information of the benefits that the employee has selected, withholding forms and any other information required by Federal and/or State laws. Safeguards should be in place to ensure that the same individual does not hire personnel, authorize pay rates, process payroll, generate and distribute pay checks, and reconcile the bank accounts.

Charter Requirements

Article IV of the City Charter provides authority to the City Council to fix the salaries of all employees of the City whether elected or appointed.

City Codified Ordinances

City Administrative Code Chapter 260 – Employees Generally provisions define the employee work week, leave types, benefits, and pay schedule. Because of the frequency of changes related to regular compensation, the latest relevant legislation has control in the case of conflicts.

Statutory Requirements

Section 705.13, Revised Code, states that the legislative authority of a municipal corporation shall, by ordinance, fix the salary of its members which shall be paid in equal monthly installments. For each absence from regular meetings of the legislative authority, unless authorized by a two-thirds vote of all members, there shall be deducted a sum equal to two per cent of such annual salary. Absence for ten successive regular meetings shall operate to vacate the seat of a member, unless such absence is authorized by the legislative authority.

Methods Used by the City

Full and part time employees are compensated biweekly. There are 96 full-time employees and 39 part-time employees with the City. There are also eight paid City Council members, five paid Planning and Zoning Commission members, and three paid Civil Service Commission members. For hourly and part-time employees, the pay period begins on Sunday and ends on Saturday two weeks later. Pay checks are direct deposited to employees every other Friday. The Mayor is paid on the regular employee pay schedule. City Council members, Planning and Zoning Commission members, and Civil Service Commission members are paid monthly on the second pay of each month. All employees are paid in accordance with the City's pay ordinance or bargaining contracts. Employees receive an earnings statement with each pay that indicates gross and net pay and withholdings for the pay period as well as year-to-date totals.

City of Maple Heights – Cuyahoga County

Report on Accounting Methods

All salary schedules and negotiated contracts are approved by City Council. Pay schedules for non-bargaining employees are reported in the Authorized Pay Schedule by job classification. Pay schedules for bargaining unit employees are reported in their respective Collective Bargaining Agreements by job classification.

Personnel files are kept in the Human Resources Office and copies are kept in the Accountant's Office. The files contain forms for tax information, benefit information, direct deposit information, voluntary deductions, wage information, position information, hire date and any other information the City chooses to retain about the employee. The employee record in the City's accounting software also contains the payroll-related information kept in the Finance Department Office. The Accountant, with approval, and Finance Director have access to change employee information in the system.

The City's hourly employees use time cards to track hours worked. Timecards show the dates, arrival time, departure time, and hours worked each day. The timecards are used to prepare the time sheets that are turned into the Accountant by Department heads or supervisors for payroll processing. Salary employees and elected officials are not required to track hours worked.

Employee Time Sheets, which summarize regular hours worked, overtime, and leave taken for each departmental employee, are summarized by each department head for each payroll period. Each Department Head calculates and documents total departmental hours worked and gross pay earned. Approval for each employee's pay for the payroll period is indicated by the Department Head's signature on each employee timesheet and on a summary report that is submitted to the Accountant. The Accountant reviews the time cards to check for inconsistency with the department heads' summaries. In addition to being approved by the respective department head, the City's department time sheets are also approved by the Mayor and/or Safety Director. The City Council President approves City Council's pay.

Non-bargaining Employees - City Ordinance 2011-101, amending Codified Ordinances Section 260.29, authorized a pay schedule for non-bargaining employees for the period of December 26, 2010 through December 22, 2012 and suspended all step increases in pay based on years of service with the City. Ordinance 2014-21 set the employee payroll deduction for health insurance at \$100 per month for the single plan and \$200 for the family plan. Non-bargaining employees are eligible to earn overtime compensation.

Bargaining Unit Employees - The City of Maple Heights bargaining unit employees are associated with one of eight negotiated agreements, depending on the job classification, as follows:

Police Captains - The Police Captains are covered by a negotiated agreement between the City of Maple Heights and the Maple Heights FOP George Murray Lodge Police Officers Association. The current contract covers the period of July 1, 2015 to June 30, 2018. The contract contains detailed information pertaining to fringe benefits, absences, leave accruals and conditions of employment. Police Captains are eligible to earn overtime compensation.

Police Sergeants and Lieutenants - The Police Sergeants and Lieutenants are covered by a negotiated agreement between the City of Maple Heights and the Maple Heights FOP George Murray Lodge Police Officers Association. The current contract covers the period of July 1, 2015 to June 30, 2018. The contract contains detailed information pertaining to fringe benefits, absences, leave accruals and conditions of employment. Police Sergeants and Lieutenants are eligible to earn overtime compensation.

Police Officers and Detectives - The Officers and Detectives are covered by a negotiated agreement between the City of Maple Heights and the Maple Heights FOP George Murray Lodge Police Officers Association. The current contract covers the period of July 1, 2015 to June 30, 2018. The contract contains detailed information pertaining to fringe benefits, absences, leave accruals and conditions of employment. Police Officers and Detectives are eligible to earn overtime compensation.

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Report on Accounting Methods

Full-time Corrections Officers - Full-time Corrections Officers are covered by a negotiated agreement between the City of Maple Heights and the Ohio Patrolmen's Benevolent Association. The contract covers the period of July 1, 2014 to June 30, 2017. The contract has detailed information pertaining to compensation, fringe benefits and leave accruals. Full-time Corrections Officers are eligible to earn overtime compensation.

Part-time Corrections Officers - Part-time Corrections Officers are covered by a negotiated agreement between the City of Maple Heights and the Ohio Patrolmen's Benevolent Association. The contract covers the period of July 1, 2014 to June 30, 2017. The contract has detailed information pertaining to compensation, fringe benefits and leave accruals. Part-time Corrections Officers are eligible to earn overtime compensation.

Truck Drivers and Laborers - Truck Drivers and Laborers are covered by a negotiated agreement between the City of Maple Heights and International Brotherhood of Teamsters, Local Union No. 507. The contract covers the period of January 1, 2015 to December 31, 2017. The contract has detailed information pertaining to compensation, fringe benefits and leave accruals. Truck Drivers and Laborers are eligible to earn overtime compensation.

Service and Recreation Department Mechanics - Service and Recreation Department Mechanics are covered by a negotiated agreement between the City of Maple Heights and International Association of Machinists and Aerospace Workers, Auto Mechanics Local 1363-AFL-CIO. The contract covers the period of September 1, 2015 to August 31, 2017. The contract has detailed information pertaining to compensation, fringe benefits and leave accruals. Service and Recreation Department Mechanics are eligible to earn overtime compensation.

Fire Fighters - Fire Fighters are covered by a negotiated agreement between the City of Maple Heights and the Maple Heights Firefighters Association, Local #1184, AFL-CIO. The contract covers the period of October 1, 2014 to December 31, 2016. The contract has detailed information pertaining to compensation, fringe benefits, absences and leave accruals. Fire fighters are eligible to earn overtime compensation.

Elected Officials – City Ordinance 2012-56 (an amendment to City Ordinance 260.27) established the base rate effective schedule of salaries for the Mayor and City Council. Salaries are frozen without further action of the City Council. The Mayor and Council both contribute to the OPERS pension system. The Mayor participates in the City's hospitalization, dental, and vision group insurance programs at the same rate as non-bargaining employees.

Overtime and Compensatory Leave – Employees work overtime in all the departments at the discretion of the department head. The overtime rate paid is time and a half. Overtime is submitted using the regular timesheets. Compensatory time may be earned in place of paid overtime at time and a half for all eligible employees.

Leave – Vacation, personal and sick leave is credited to each employee at the appropriate accrual rates indicated in the negotiated agreement or City Ordinance. Forms are used to request time off and are signed by the department head. The departments can track leave balances using their own spreadsheets. Each pay, the Accountant gives departments Employee Benefit Listing reports to check leave balances against departmental records. Departments email their spreadsheets to the Accountant when there is a balance difference.

Payroll Processing – The Accountant has written procedures for payroll processing. All approved Employee Time Sheets are submitted to the Finance Department's Office for processing. Employee Time Sheets are due each Monday of the pay week. The information from the Employee Time Sheets is entered into the payroll system by the Accountant. A Time Card Proof sheet is run to verify that Time Sheet amounts have

City of Maple Heights – Cuyahoga County

Report on Accounting Methods

been entered correctly. After all Employee Time Sheets are entered, the system generates the Current Period Register. A Check Exception Report is also run at this time to verify employees not being paid in the current period. The Accountant compares the total gross wages, deductions, and net pay to the department timesheet summaries. The Accountant also verifies that gross pension and taxes balance. After verifying gross payroll amounts, the Accountant verifies deduction amounts using the Deduction Key Recap, Account Distribution Report, and Pre-Update Report. At this time the Payroll system updates the Master File.

Once the Current Period Register is reviewed and deemed accurate, the checks are processed by the system. The Accountant also runs numerous other reports that summarize gross pay, deductions, and net pay; report direct deposit and other bank transmittal information; and show preliminary vendor check amounts, posting activity, and journal entries. Checks are signed by the Mayor and Finance Director.

Nearly all of the City's employees receive their pay through direct deposit. Paper checks are generally only used for the first pay for a new employee or the first pay after payroll changes have been made for an employee. Direct deposit earnings statements or paystubs are printed and distributed to each employee. Direct deposit earnings statements or paystubs contain current and year-to-date taxes and other deductions information, current and year-to-date wages, and leave balances. An employee from each department picks up the paystubs at the Finance Department's Office and delivers that department's payroll.

A "zero" payroll bank account is maintained with KeyBank. As payroll checks are cashed, monies are transferred from the general checking account to the payroll account to cover the amount of payroll disbursements for the day.

The Accountant performs a payroll reconciliation on a Balancing Current Period Register form. At this time, the Accountant fills out a Payroll Postings form to summarize the journal entries for the payroll that includes amounts classified by pay or type of deduction and the batch number for the posting. This ensures that the payroll expenditures made each month are properly updated to the City's general ledger.

Internal Revenue Service W-2 forms are processed by the second pay of January of the new calendar year. W-2 forms are distributed to all employees by the end of January. The Accountant uses instructions printed each year in the SSI handbook for processing W-2 forms and submits them to the IRS.

Payroll Deductions - Payroll, tax, and retirement forms are distributed to each new employee to be completed and returned to the Finance Department's Office. The Accountant receives the forms and signs a New Hire Checklist to verify that the information is complete. Following verification, the information is entered into the computer. The Accountant creates the employee record and notifies the appropriate retirement system of each new hire that is required to become a member.

Payroll Changes - An Employee Status Notice is filled out by a Department Head for new hires, pay rate changes, department changes, and terminations. The form is signed by the Department Head or Division Head for approved changes in pay and additionally by the Mayor and Human Resources Director for new hires. The form is submitted to the Finance Department's Office and entered into the payroll system by the Accountant.

Payroll deductions for OPERS, Ohio Police and Fire Pension System, and Medicare are processed through the payroll system. After every pension period, a report is run for OPERS and the Ohio Police and Fire Pension System to determine the employer's share for each retirement system. The Accountant submits the OPERS report online and prints the report. An Employer Payment Remittance Advice form is then filled out and mailed to OPERS along with the checks. The OPERS report and payment as well as the Ohio Police and Fire Pension System employee portion are due the last day of the following month. The Ohio Police and Fire Pension System employer portion report is due on the last day of the month at the end of the following month. The Accountant submits the Ohio Police and Fire Pension Report of Retirement Deductions form and the Summary of Payment Remittance Information electronically; the payment is by wire.

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Report on Accounting Methods

The Accountant checks voluntary deductions totals from the Current Period Register to spreadsheets that are set up for each deduction type, such as union dues or deferred compensation. The Accountant also runs Deduction Pre-Print Registers, a Deduction Key Recap, a Deduction Update Report, and various other reports that show city tax accumulations, weekly credit union deductions, and matching amounts for pensions and Medicare.

Retirement - When an employee wishes to retire, he or she provides a letter stating their intention. The City receives various communications from the Ohio Public Employees Retirement System (OPERS) or Ohio Police and Fire Pension Fund (OP&F) verifying that the employee is retiring under OPERS or OP&F. OPERS or OP&F is sent notification of the employee's last working day and payroll information.

The department head will send a sheet to the Finance Department's Office showing the leave balances the department has recorded for the employee. The Finance Director checks the department's leave balances against the system Employee Benefit Listing and uses the listing to calculate final pay on a Final Payout form. The form is also used for terminations and resignations. It includes leave balances, payout percentages, and pay rates. Since leave balances from the system Employee Benefit Listing are checked regularly to the departmental leave balances, differences should be easily resolved.

Auditor of State Comments

- The Authorized Pay Schedule for non-bargaining employees was dated to expire on December 22, 2012. City Council should pass an ordinance updating the non-bargaining employee pay schedule.
- The employee who processes payroll has access to and is responsible for making rate adjustments and changes to the employee master file. An employee who does not process payroll should make rate adjustments and changes to the employee master file or, once entered, have them verified by another person.
- The employee who processes payroll also initiates the direct deposits and reconciles the bank accounts. An employee who does not process payroll should initiate the direct deposit and reconcile the bank accounts.
- The City does not have written procedures regarding the payroll process. The Finance Director should document its payroll procedures and maintain them in the Finance Office.
- The City uses individual time cards for each employee in all of its departments but employees are not signing or verifying anything that accounts for time worked. Each employee of the City should sign the time card demonstrating time worked for a pay period.

City of Maple Heights – Cuyahoga County

Report on Accounting Methods

Debt Administration

Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. Before any debt is issued, a resolution or ordinance authorizing the issuance of debt should be passed by the Council. The statute authorizing the issuance should be identified in the ordinance as well as the purpose of the debt, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment. Debt instruments should be signed by the president or vice president of Council and the Director of Finance. Debt proceeds should be receipted into a separate fund and used only for the purpose specified in the authorizing legislation. Money to be used for debt payments may be receipted in a separate fund created specifically for debt retirement. Care should be taken to insure the timely payment of both principal and interest.

Charter Requirements

The City Charter does not address debt administration.

Statutory Requirements

General statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code. Specific statutes relating to cities are found in Chapter 7. The statutory requirements vary depending on the nature of the debt being issued.

Section 133.05, Revised Code, provides a municipal corporation shall not incur net indebtedness that exceeds an amount equal to ten and one-half per cent of its tax valuation, or incur without a vote of the electors net indebtedness that exceeds an amount equal to five and one-half per cent of that tax valuation. In calculating the net indebtedness of a municipal corporation, self-supporting securities, certain securities for which there is an agreement with another subdivision to pay to the municipal corporation amounts equivalent to debt charges on the securities, securities that are not general obligations of the municipal corporation, securities that a covenants to appropriate annually municipal income taxes or other municipal excises or taxes, and certain other types of securities are excluded from the net indebtedness.

Methods Used by the City

The Finance Director monitors debt payments using the debt service schedules and other information related to each issue. Bond debt issuances are authorized by City ordinance. The purpose of the debt, the principal amount, and the source of revenue to be used for repayment is identified in the ordinance. Capital leases and OPWC borrowings are authorized by Council resolution. Resolutions for capital leases identify the purpose of the lease, the amount of total payments, the interest rate, and other payment terms. Resolutions for OPWC borrowings identify the purpose of the debt and authorize the Mayor to apply for grant funding.

Upon request from a department head, the Finance Committee is responsible for making the initial decision to issue debt for a project. The Finance Committee then brings the legislation to City Council for a vote. Debt instruments are signed by the Mayor and the Finance Director. The Finance Director makes all payments to the paying agent related to debt issues. The money comes from property taxes levied and collected as well as transfers from the general fund. Bond and OPWC debt issues are paid by check. One lease payment is paid by check with the remainder being paid electronically.

City of Maple Heights – Cuyahoga County

Report on Accounting Methods

The City’s outstanding governmental long-term obligations are as follows:

<i>Governmental Activities:</i>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Original</u> <u>Issue</u>	<u>Balance</u> <u>12/31/16</u>
<u>General Obligation Bonds</u>				
General Obligation Various Purpose	2.00-5.25%	December 1, 2018	\$4,110,000	\$585,000
General Obligation Various Purpose	0.88-4.87	December 1, 2030	11,275,000	9,605,000
Capital Appreciation Bonds	7.25-7.50	December 1, 2024	1,647,911	1,647,911
Total General Obligation Bonds				<u>11,837,911</u>
<u>OPWC Loans</u>				
Southgate Park/Lee Road South Improvement	0.00	July 31, 2018	185,649	9,928
Lee Road Reconstruction	0.00	January 31, 2018	86,370	6,478
Industrial Avenue/E. 141st Improvement	0.00	July 31, 2023	556,403	194,741
Northfield Road Improvements	0.00	January 31, 2030	360,000	243,000
East 141st Street and Maple Heights Improvemen	0.00	January 31, 2034	333,013	291,386
Broadway Sanitary Interceptor Extension	0.00	January 31, 2044	91,860	84,205
Broadway Avenue Reconstruction	0.00	January 31, 2039	381,774	343,597
Saniary Sewer Repair	0.00	Not Finalized	196,560	196,560
Libby Road Reconstruction	0.00	Not Finalized	673,877	673,877
Lee Road Pavement Repairs	0.00	Not Finalized	269,370	269,370
Total OPWC Loans				<u>2,313,142</u>
<u>Other Long Term Obligations</u>				
Capital Leases	Various	Various	1,001,615	789,718
Police and Fire Liability	4.21	2035	341,426	291,964
Total Other Long Term Obligations				<u>1,081,682</u>
Total Governmental Activities Long-Term Obligations				<u><u>\$15,232,735</u></u>

Auditor of State Comments

None

City of Maple Heights – Cuyahoga County

Report on Accounting Methods

Capital Assets and Supplies Inventory

Description of an Effective Inventory of Capital Assets and Supplies

Capital assets of the City should be accounted for and reported in accordance with generally accepted accounting principles (GAAP). Capital assets of the City should be adequately safeguarded against loss or theft. The City should have a policy that defines capital assets, capitalization thresholds, determination of cost, useful lives, method of depreciation, assignment of assets and depreciation expense to an expense function, tracking of capital and non-capital assets, and determination of salvage values. An inventory should be maintained that includes a description of each item, its cost, serial and/or model numbers, date of purchase, location, useful life, salvage value, depreciation information, fund and account used to purchase the asset, tag number, whether the item is leased, and current purchases and disposals. The purchase and disposal of an asset should be properly authorized, reported to and promptly recorded by the City Finance Director, and insurance records adjusted. The transfer or re-assignment of assets should be approved by an appropriate official and promptly recorded. Verification of the listed assets should be performed annually.

Consumable materials and supplies include office supplies, gasoline, salt and wastewater chemicals. Inventories, where appropriate, should be monitored, controlled, and physical counted periodically to determine the items and quantities in existence. A physical inventory of all material items should be conducted at or near the fiscal year end date.

Charter Requirements

The City Charter has no requirements to capital assets or inventory.

Administrative Code Requirements

Section 117-2-02(D)(4)(c) of the Ohio Administrative Code, requires that all public offices should maintain fixed asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

City's Method of Accounting for Capital Assets

The City does not have a policy for capital assets. Titles for vehicles are stored in a filing cabinet in the Finance Department Office.

The GAAP Converter hired by the City uses a spreadsheet to track additions, deletions, and depreciation to capital assets for the purposes of annual GAAP financial reporting.

Consumable Inventory

The City has no written policy for consumable inventory. The Police Department and Service Department have consumable inventory. The Police Department keeps ammo, armor, guns, badges, and radios on hand. Items of greater value, such as guns, radios, and badges are recorded on an Equipment Issue Sheet for each officer. Random counts as well as an end of year count of inventory are conducted by a senior officer. The Service Department keeps salt and fuel on hand. The Service Department Secretary tracks inventory purchases. The Service Director estimates end of year salt and fuel amounts and costs. The Service Director gives the Finance Department an Inventory Calculation form at year end.

City of Maple Heights – Cuyahoga County

Report on Accounting Methods

Auditor of State Comments

- The City should develop a comprehensive Capital Asset Policies and Procedures Manual that is approved by City Council. This Policy should include such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location and tag number in accordance with Section 117-2-02(D)(4)(c) of the Ohio Administrative Code.
- The City does not have a written capitalization threshold. A threshold should be established and documented in the City's Capital Asset Policy.
- The City uses Excel spreadsheets to account for and track its capital assets. The use of spreadsheets does not ensure the integrity of the data and increases the risk that a capital asset record may be deleted and not detected in a reasonable period of time. The City should purchase a capital asset accounting system that meets the accounting and reporting requirement of the City.
- The City does not assign salvage value to depreciable capital assets. In accordance with GASB Statement No. 34, depreciation expense should be calculated by allocating the net cost of depreciable assets over their estimated useful lives. The net cost of depreciable assets is defined as historical cost less estimated salvage value. The City should assign salvage values to depreciable assets and recalculate annual and accumulated depreciation.
- The City is not using a formal capital asset addition or disposal form. In order to better track asset additions and dispositions, the City should enact a policy that documents these transactions.
- The City needs to develop a method of tagging capital assets, with each asset having a unique number. The City should assign tags and asset numbers to assets at the time they are delivered to ensure that all assets are accounted for.
- The City does not have written policies and procedures to account for consumable inventory. The City should prepare a policy for consumable inventory. The policy should include an annual year-end physical inventory. Procedures for performing the inventory should also be developed, documented and maintained in the office of the Director of Finance.

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Report on Accounting Methods

Cash Management and Investing

Description of an Effective Method of Cash Management

Cash received by the City should be deposited in a central bank account. Monies for all funds should be maintained in the account or temporarily used to purchase investments. Reconciliations should be completed for all accounts on a monthly basis. The books should be closed at the end of the last business day of the month and processing of transactions for the new month should commence the following business day. The reconciliations should be completed immediately upon receipt of the bank statement. Reconciling items should be specifically identified and listed with supporting documentation attached. Reconciling items such as unrecorded deposits and bank charges should be posted upon completion of the bank reconciliation.

Charter Requirements

The City Charter does not address Cash Management and Investing.

City Codified Ordinances

Codified Ordinance 240.01 “Credit of Depository Interest” states that all depository interest shall be credited to the general fund.

Codified Ordinance 240.03 “Petty Cash Funds” authorized the Finance Director to set forth petty cash funds for the various departments. The ordinance also limits petty cash to five thousand dollars and requires accountability for the funds annually on December 31.

Codified Ordinance 240.08 “Investment Policy” authorized the City to participate in the State Treasurer’s Asset Reserve Fund (STAR Ohio).

Statutory Requirements

Interim cash should be invested according to Section 135.14 of the Ohio Revised Code. The deposits of public money should be insured and/or collateralized to insure repayment of public monies deposited with a financial institution. Interest allocation should be in accordance with the Ohio Constitution and State statutes. Cash management and investment activities of a city are additionally governed by Sections 135.01 to 135.22 of the Ohio Revised Code.

Section 135.14(O)(1), Revised Code, state, “Except as otherwise provided in divisions (O)(2) and (3) of this section, no Director of Finance or governing board shall make an investment or deposit under this section, unless there is on file with the Auditor of State a written investment policy approved by the Treasurer or governing board. The policy shall require that all entities conducting investment business with the Treasurer or governing board shall sign the investment policy of that subdivision.

Section 135.14(O)(2), Revised Code, states, “if a written investment policy described in division (O)(1) of this section in not filed on behalf of the subdivision with the Auditor of State, the Treasurer or governing board of that subdivision shall invest the subdivision’s interim moneys only in interim deposits pursuant to division (B)(3) of this section, no-loan money market mutual funds pursuant to division (B)(5) of this section, or the Ohio subdivision’s fund pursuant to division (B)(6) of this section.”

Section 135.14 (O)(3), Revised Code, states, “Divisions (O)(1) and (2) of this section do not apply to a Treasurer or governing board of a subdivision whose average annual portfolio of investments held pursuant to this section is one hundred thousand dollars or less, provided that the Treasurer or governing board certifies, on a form prescribed by the Auditor of State, that the Treasurer or governing board will comply and is in compliance with the provisions of sections 135.01 to 135.21 of the Revised Code.”

City of Maple Heights – Cuyahoga County

Report on Accounting Methods

Section 135.22, Revised Code, requires the Treasurer to attend annual training programs of continuing education for directors of finance provided by the Treasurer of State.

Section 9.38, Revised Code, requires that monies received by the City are to be deposited on the next business day following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount of the monies received does not exceed \$1,000, the City shall deposit the monies on the next business day following the day of receipt, unless the City adopts a policy permitting a different time period, not to exceed three business days following the day of receipt, and the monies are safeguarded until they are deposited.

Article XII, Section 5a, Ohio Constitution requires that interest be allocated to Street Construction, Maintenance, and Repair and State Highway special revenue funds.

Federal Requirements

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) requires that, in order for a depositor to have a valid claim to assets of a failed financial institution, there must be a security agreement. This agreement must have been:

1. in writing;
2. executed by the financial institution and the depositor making the claim;
3. approved by the board of directors or loan committee of the institution; and
4. an official record of the financial institution continuously from the time of its execution.

Methods Used by the City

The City has four accounts in KeyBank as well as an account with Citizens Bank. The City's investments consist of STAR Ohio.

The City has signed depository agreements for all accounts and investments with KeyBank. The City's deposits are collateralized by the use of a collateral pool.

KeyBank serves as the primary depository where the general account receives wire transfers and deposits of the City. Checks are written against this account for City obligations other than payroll. Transfers are made from this account to the payroll account when needed. The general account earns interest, which is posted to the general fund. The Accounts Payable Clerk makes deposits to the general account each business day. The general account, together with payroll, is reconciled at the end of each month by the Accountant.

The City has other checking accounts with KeyBank, including an escrow account and an account for the Mayor's Court. These accounts receive electronic funds/payments. These accounts do not earn interest. The Accountant reconciles the accounts at the end of the month. These accounts are monitored closely to ensure that they are kept to minimal balances.

Access to online banking accounts and the ability to transfer funds from one account to another is specifically defined and restricted for certain individuals. The Finance Director can grant access to online banking and account transfers by editing the user set-up online and calling the bank. The ability to transfer funds is restricted to the Accountant and Finance Director.

The Accounts Payable Clerk makes deposits each business day and gives copies of receipts to the City Finance Office for the Accountant to post to the accounting system. The Accountant tracks account balances on their own spreadsheet. The Bank to Book Reconciliation spreadsheet tracks bank balances as compared to book balances and lists all outstanding items and reconciling differences between the two for each bank account.

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Report on Accounting Methods

At month end, after confirming that the account balances are in agreement, the Accountant closes the books. The bank reconciliation is available in the City Finance Office for public inspection.

For the General Account, Payroll Account, and Mayors Court, the Accountant compares their end-of-month spreadsheet to the bank statement transactions to find timing differences between bank and book postings. Any discrepancies found are noted on the bank statement and posted during the reconciliation process. The reconciliations are usually completed within the first two weeks of the following month.

The City receives interest on the balance in one of its bank accounts. The City investments are limited to a STAR Ohio. All interest earned on the City's cash management pool is credited the general fund. With the exception of STAR Ohio, interest is credited in the month it is earned.

The City has an investment policy on file with the Clerk of Bureau but has updated its policy in the City's codified ordinances since then. The investment policy does not address the allocation of interest. The Council has given the Finance Director authority to make investments of available monies from the funds of the City in securities authorized by State law. The Finance Director attends training on investing offered by the State Treasurer's Office.

Voided accounts payable and payroll checks have "void" written on them by the Accounts Payable Clerk and the signature block is cut out. The original is filed in the City Finance Office. Any accounts payable and payroll checks that have not yet been used are also filed in the City Treasurer's Office.

Five departments have petty cash funds. The monies disbursed to these departments are included on the monthly bank reconciliation. In order to replenish one of these funds, receipts accompanied by the related purchase order must be turned in to the Accounts Payable Clerk or Accountant. Finance Department petty cash funds are kept in a safe within a vault in the Finance Department offices with the Accountant and Accounts Payable Clerk having access. Mayor's Court petty cash funds are kept in a locked drawer in the Court Administrator's office with the Court Administrator and Service Department Secretary having access. Building Department petty cash funds are kept in a locked box within a drawer in the Building Department offices when no one is in the office, with the Secretary and Permit Tech having access. Building Department petty cash funds are kept at the counter when staff is present. Fire Department petty cash funds are kept in a locked file cabinet in the Fire Chief's office. The Fire Chief, Fire Captain, and Administrative Assistant have access to the cabinet. Police Department petty cash funds are kept locked in the Chief Administrative Secretary's desk drawer with only the Chief Administrative Secretary having access.

Auditor of State Comments

- The investment policy filed with the Clerk of the Bureau was received on October 2, 1996 and does not address the allocation of interest. It should be updated to include the allocation of interest with the newly appointed Finance Director's signature and filed with the Clerk of the Bureau.
- The City does not have written procedures for petty cash and the replenishment of it. Written procedures should be developed for the petty cash which includes the individual designated as the custodian, and the custodian's duties and responsibilities.
- The City does not post interest to Street Construction, Maintenance, and Repair or the State Highway special revenue funds as required by Article XII, Section 5a, Ohio Constitution. The City should allocate interest to the required funds.
- The Finance Director should review and sign the monthly bank reconciliation.
- Some voided checks do not have "void" written on them. The word "void" should be written on all voided checks to prevent them from being cashed.
- The City should post STAR Ohio interest in the month it is earned.

City of Maple Heights – Cuyahoga County

Report on Accounting Methods

Financial Reporting

Description of Effective Method of Financial Reporting

The fiscal officer should periodically provide Council with the year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the City. In addition, information concerning the estimated and actual receipts, appropriation and disbursements plus encumbrances should be presented for Council's review. On an annual basis, the Director of Finance should prepare and publish, within 150 days of year end, financial statements prepared in accordance with generally accepted accounting principles (GAAP).

Charter Requirements

The City Administrative Code requires the Finance Director to publish two easy-to-read monthly comparison reports, one for City income received and one for money spent, in each month, going back five years. The reports are to be published on the web site every month, adding the information from the previous month.

Statutory Requirements

Section 117.38, Revised Code, requires that an annual financial report be filed with the Auditor of State within one hundred and fifty days after the close of the fiscal year for reports prepared in accordance with the general accepted accounting principles (GAAP). At the time the report is filed with the Auditor of State, the fiscal officer must publish in the newspaper notice of the completion of the report and the fact that the report is available at the office of the fiscal officer.

Administrative Code Requirements

Cities are required by Section 117-2-03(B), Administrative Code, to prepare and publish an annual financial report in accordance with generally accepted accounting principles (GAAP).

Methods Used by the City

The City prepares its annual financial report in accordance with generally accepted accounting principles (GAAP). The City filed a copy of its annual financial report to the Office of the Auditor of State for the year ended December 31, 2015 on May 27, 2016. The Clerk of Council publishes a notice of completion in the newspaper once audited financial statements are available.

Monthly reports are printed as soon as each month is closed. The Finance Director's office keeps copies internally for their reference but will print additional copies upon request. Copies of the monthly reports are given to the Mayor and Council each month.

The City Administrative Code requires the Finance Director to publish two easy-to-read monthly comparison reports, one for City income received and one for money spent, in each month, going back five years. The reports are to be published on the web site every month, adding the information from the previous month.

The monthly financial reports consist of the following:

Revenue Report: This report provides adopted budgeted receipts, month-to-date receipts, year-to-date receipts, the amount of the budget remaining to be received, and the percentage of the budget received for each revenue line item.

City of Maple Heights – Cuyahoga County

Report on Accounting Methods

Expense Report with Encumbrance Details: The report provides the current appropriations, month-to-date expenses, year-to-date expenses and encumbrances, and the amount of budget still available by expense line item. It also provides detailed information on the outstanding encumbrances.

Statement of Cash Position Report: This report provides the beginning fund balance, the month-to-date and year-to-date receipts and disbursements, outstanding encumbrances, and ending fund balances for all funds.

Invoice Aging Report: This report provides a month-end listing of unpaid invoices including vendors, invoice numbers, invoice dates, purchase order numbers, City accounts, and amounts.

Bank Reconciliation: This report lists the balances of all bank accounts, petty cash, deposits in transit, and outstanding payments. These balances are compared to the City's fund balances with any remaining difference listed.

Auditor of State Comments

- The City does not have five years of financial reports published on the City web site in accordance with chapter 240.02(b) of the City Administrative Code.

City of Maple Heights – Cuyahoga County

Report on Accounting Methods

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

The City Councils' minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Council's decisions. An ordinance, resolution, or by-law should be limited to one subject, which should be clearly expressed in its title. In the adoption or passage of an ordinance, resolution, or by-law, the yeas and nays should be entered into the minutes and the ordinance, resolution, or by-law, should be signed by the presiding officer and the Clerk of Council. All Council minutes, ordinances, and resolutions should be maintained as a permanent record of the City.

Charter Requirements

Article VII of the City charter provides for the City Council as well as their election, meetings, and powers. Article VII Section (6) provides for the City Council's authority to appoint a Clerk of Council for the purposes of conducting its work.

Statutory Requirements

Section 121.22, Revised Code, requires the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions authorized under division (G) or (J) of this section. Further, the Ohio Supreme Court has held that the minutes must be "full and accurate," which means that they must contain sufficient facts and information to permit the public to understand and appreciate the rationale behind the relevant decision. The public not only has a right to know a government body's final decision on a matter, but also the means by which those decisions were reached.

Sections 731.20 through 731.24, Ohio Revised Code, address the passage, style, number of subjects, authentication and recording, and publication requirements of Council's legislation. In general, no ordinance, resolution or bylaw shall contain more than one subject, which shall be clearly expressed in its title. The copy of the proposed ordinance must be filed with the Council Clerk and kept open for public inspection for ten days. Each ordinance, resolution or bylaw is required to be adopted or passed by separate vote of Council and the yeas and nays shall be entered in the minutes. Ordinances, resolutions or bylaws shall be authenticated by the signature of the presiding officer and clerk. Ordinances and resolutions must be published in a newspaper of general circulation in the City once a week for two consecutive weeks.

Sections 705.84 of the Ohio Revised Code requires that the Board of Control have stated meetings at least twice a week; keep a record of its proceedings; take its votes by yeas and nays, which votes shall be entered on the record; and adopt any motion or order only by a majority of the vote of all members of the board.

Methods Used by the City

The City typically holds their regular meetings on the first and third Wednesday of each month. In June, July, and August meetings are held on only the first Wednesday of the month. The Clerk of Council records and takes notes during the City Council meetings. From those notes as well as an audiotape recording of the meeting, the Clerk of Council prepares the minutes of the meeting. The minutes include who is in attendance, reports that are presented by various departments and officials, the detail of topics discussed, resolutions and ordinances by number and description and the votes thereon, and other upcoming events. Any discussion during the meetings is transcribed either in summary or verbatim. The minutes are typically approved by City Council then signed and dated by the Clerk of Council at the next council meeting. The typed minutes, resolutions and ordinances are stapled and kept in file folders in file cabinets in Council

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Chambers and are also kept in electronic form. Council holds committee work sessions to discuss various issues and gather information typically once each month. The chair of the committee records minutes and presents them at the next regular meeting.

Auditor of State Comments

None

City of Maple Heights – Cuyahoga County

Report on Accounting Methods

Conclusion

The methods described and included in this report are based on our inquiries and discussions with the City of Maple Heights personnel and the related procedures documented from the City's charter, resolutions, administrative rules and the Ohio Revised Code. These methods in some cases vary from the actual methods used in performing the daily activities.

It is our opinion that the current methods of accounting and financial reporting of the City of Maple Heights are not completely in compliance with Chapter 117 of the Ohio Revised Code and the requirements of the Auditor of State as disclosed throughout this report.

City of Maple Heights – Cuyahoga County

Report on Accounting Methods

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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
AUGUST 22, 2017**