

City of Maple Heights, Ohio
Basic Financial Statements

December 31, 2007



Mary Taylor, CPA
Auditor of State

Members of City Council
City of Maple Heights
5353 Lee Road
Maple Heights, Ohio 44137

We have reviewed the *Independent Auditors' Report* of the City of Maple Heights, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 22, 2008

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City of Maple Heights, Ohio

For The Year Ended December 31, 2007

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City of Maple Heights, Ohio

For The Year Ended December 31, 2007

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Independent Auditors' Report

Members of the City Council
Maple Heights, Ohio

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Heights, Ohio as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Heights, as of December 31, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Municipal Income Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2007, the City of Maple Heights implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, GASB Statement No. 48 *Sales and Pledges of Receivables and Future Revenue and Intra-Entity Transfers of Assets and Future Revenues* and GASB Statement No. 50, *Pension Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the City Council
Maple Heights, Ohio

The management's discussion and analysis on pages 3 through 9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cioni & Paricki, Inc.

Cleveland, Ohio
October 20, 2008

City of Maple Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

As management of the City of Maple Heights, Ohio, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the City's financial statements, which follow this section.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of 2007 by \$39,762,083. Of this amount, \$4,857,984 is considered unrestricted.
- The City's total net assets increased \$1,066,796 in 2007. Net assets of the governmental activities increased \$1,718,908, which represents a 4.51 percent increase from 2006. Net assets of the business-type activities decreased by \$652,112 which represents a 110.95 percent decrease from 2006.
- The total cost of the City's governmental activities in 2007 was \$19,598,366. The total cost of the City's business-type activities was \$1,286,233 in 2007.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$6,089,414. Approximately \$5,754,758 of the \$6,089,414 fund balance is considered unreserved at December 31, 2007.
- The general fund reported a fund balance of \$491,047 at the end of the current fiscal year. The unreserved fund balance for the general fund was \$217,996.

Overview of the financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the City include general government, public service, public safety, development, human services and parks and recreation. The business-type activities of the City include three enterprise activities: a solid waste disposal system, a public transit system and an advertising banner activity.

The government-wide financial statements can be found on pages 10 and 11 of this report.

City of Maple Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains 40 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the bond retirement fund, and the municipal income tax fund, all of which considered to be major funds. Data from the other 37 governmental funds are combined into a single aggregated presentation.

The basic governmental fund financial statements begin on page 12 of this report.

Proprietary Funds. The City maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its solid waste collection, public transit, and advertising banner. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the waste disposal, public transit, and advertising banner. The solid waste collection, public transit, and advertising banner enterprise funds are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 18 through 21 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 57 of this report.

City of Maple Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 1 - Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Assets</u>						
Current and Other Assets	\$17,270,461	\$16,297,063	\$ 28,557	\$ 676,502	\$17,299,018	\$ 16,973,565
Capital Assets	<u>42,640,180</u>	<u>43,443,880</u>	<u>16,320</u>	<u>27,294</u>	<u>42,656,500</u>	<u>43,471,174</u>
Total Assets	<u>59,910,641</u>	<u>59,740,943</u>	<u>44,877</u>	<u>703,796</u>	<u>59,955,518</u>	<u>60,444,739</u>
<u>Liabilities</u>						
Long-Term Liabilities	12,791,132	13,813,752	4,751	4,343	12,795,883	13,818,095
Other Liabilities	<u>7,293,042</u>	<u>7,819,632</u>	<u>104,510</u>	<u>111,725</u>	<u>7,397,552</u>	<u>7,931,357</u>
Total Liabilities	<u>20,084,174</u>	<u>21,633,384</u>	<u>109,261</u>	<u>116,068</u>	<u>20,193,435</u>	<u>21,749,452</u>
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	32,418,081	32,312,830	16,320	27,294	32,434,401	32,340,124
Restricted	2,469,698	2,393,174	0	0	2,469,698	2,393,174
Unrestricted	<u>4,938,688</u>	<u>3,401,555</u>	<u>(80,704)</u>	<u>560,434</u>	<u>4,857,984</u>	<u>3,961,989</u>
Total Net Assets	<u>\$ 39,826,467</u>	<u>\$ 38,107,559</u>	<u>(\$64,384)</u>	<u>\$587,728</u>	<u>\$39,762,083</u>	<u>\$ 38,695,287</u>

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$39,762,083 at the close of the most recent fiscal year.

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

An additional portion of the City's net assets reflects resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's on-going obligations to citizens and creditors. It is important to note that, although the total unrestricted net assets is \$4,938,688, the net assets of the City's business-type activities may not be used to fund governmental activities.

At the end of the current fiscal year, the City is able to report positive balances in two categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The City's Net Assets had an overall increase of \$1,066,796 in 2007. Net assets for governmental activities increased \$1,718,908, while net assets for business-type activities decreased \$652,112. There was an increase of \$76,524 in restricted net assets reported in connection with the City's governmental activities. There was also an increase of \$105,251 in the amount invested in capital assets, net of related debt for governmental activities.

City of Maple Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 2 shows the change in net assets for the fiscal years ended December 31, 2007 and 2006.

Table 2 - Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2006	Business-Type Activities 2007	Business-Type Activities 2006	Total 2007	Total 2006
Revenues						
Program Revenues						
Charges for Services	\$ 3,848,348	\$ 3,876,970	\$840,268	\$ 1,255,563	\$4,688,616	\$5,132,533
Operating Grants and Contributions	49,181	675,166	0	0	49,181	675,166
Capital Grants and Contributions	418,540	143,733	0	0	418,540	143,733
General Revenues						
Property Taxes	6,450,495	5,910,710	0	0	6,450,495	5,910,710
Income Taxes	6,857,207	6,859,913	0	0	6,857,207	6,859,913
Grants and Entitlements	3,229,287	2,132,042	0	0	3,229,287	2,132,042
Other	<u>258,069</u>	<u>348,352</u>	<u>0</u>	<u>18,501</u>	<u>258,069</u>	<u>366,853</u>
Total Revenues	<u>21,111,127</u>	<u>19,946,886</u>	<u>840,268</u>	<u>1,274,064</u>	<u>21,951,395</u>	<u>21,220,950</u>
Expenses						
General Government	3,414,644	3,072,174	0	0	3,414,644	3,072,174
Security of Persons and Property	11,242,324	11,027,115	0	0	11,242,324	11,027,115
Public Health Services	94,162	87,623	0	0	94,162	87,623
Transportation	1,826,428	2,052,600	0	0	1,826,428	2,052,600
Community Development	356,097	289,503	0	0	356,097	289,503
Basic Utility Services	1,409,789	1,459,602	0	0	1,409,789	1,459,602
Leisure Time Activities	709,153	714,853	0	0	709,153	714,853
Interest and Fiscal Charges	545,769	535,597	0	0	545,769	535,597
Solid Waste Collection	0	0	1,275,259	1,080,594	1,275,259	1,080,594
Maple Heights Transit	<u>0</u>	<u>0</u>	<u>10,974</u>	<u>303,412</u>	<u>10,974</u>	<u>303,412</u>
Total Program Expenses	<u>19,598,366</u>	<u>19,239,067</u>	<u>1,286,233</u>	<u>1,384,006</u>	<u>20,884,599</u>	<u>20,623,073</u>
Increase (Decrease) in Net Assets Before Transfers	1,512,761	707,819	(445,965)	(109,942)	1,066,796	579,877
Transfer	<u>206,147</u>	<u>(85,000)</u>	<u>(206,147)</u>	<u>85,000</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Assets	<u>\$1,718,908</u>	<u>\$622,819</u>	<u>\$(652,112)</u>	<u>\$ (24,942)</u>	<u>\$1,066,796</u>	<u>\$ 597,877</u>

Governmental Activities

Governmental activities increased the City's net assets by \$ 1,718,908. The increase in net assets was attributable to an increase in revenues in 2007. Several types of revenue fund our governmental activities, with the City income tax being the largest contributor. The income tax rate was 2.5% for 2007. Both residents of the City and non-residents who work inside the City are subject to the income tax. However, if residents work in a municipality that has an income tax, the City provides 100% credit up to 2% for those who pay income tax to another city.

The income tax revenue for 2007 was \$6,857,207. Of the \$21,111,127 in total revenues, income tax accounts for 32.48% of that total. Property taxes of \$6,450,495 account for 30.55% of total revenues, and operating grants, capital grants and contributions, general revenues from grants and entitlements account for 17.51% of total revenues, and charges for services, and other revenue make up the remaining 19.46%.

City of Maple Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

General revenues from grants and entitlements, such as local government funds, are also revenue generators. The City monitors its sources of revenues very closely for fluctuation, especially income tax.

Expenses increased by approximately \$359,299 from 2006 which was mainly attributed to the increase in the general government function. The City expended more in building department salaries and on health care insurance in 2007. The largest program function for the City relates to security of persons and property. In 2007, 57.36 percent of program expenses for governmental activities were for the security of persons and property, which includes police, fire, jail, auxiliary police, school guards and safety dispatch. The next largest function was expenses for general government for 17.42 percent. Transportation, which accounted for 9.31 percent of the expenses in 2006 and 3.62 percent of the expenses were spent on culture and recreation.

Business-type Activities

While total net assets of the City increased \$1,066,796, business-type activity net assets decreased by \$652,112. Charges for services decreased \$415,295 over 2006. This decrease in revenues is due to less current collections on refuse billings due to all billings being certified as special assessments by the Cuyahoga county Auditors office. The charges for services decrease is also attributable to no further payments being received in 2007 for the acquisition of the Maple Heights Transit department by the Regional Transit Authority.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2007, the City's governmental funds reported combined ending fund balances of \$6,089,414 an increase of \$1,681,266 in comparison with the prior year. Approximately \$5,754,758 of this amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period and for non-current loans receivable.

The general fund is the chief operating fund of the City. At December 31, 2007, unreserved fund balance of the general fund was \$217,996, while total fund balance was \$491,047. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures (including transfers out). Unreserved fund balance represents 1.79 percent of total general fund expenditures (including transfers out), while total fund balance represents 4.05 percent of that same amount.

The fund balance of the City's general fund decreased by \$229,206 during 2007. This decrease reflects less transfers from the income tax fund in 2007.

- Total revenues excluding transfers increased by \$ 681,651.
- Shared revenue, which represents taxes levied by the state or counties and partially distributed to the City or other political subdivisions, increased \$14,860 due to more monies from the State of Ohio and Cuyahoga

City of Maple Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

County.

- Revenues from property taxes increased approximately \$353,953. This increase was the result of the assessment reevaluation that became effective with 2006 collections.
- Expenditures increased by \$42,601. The primary increases in expenditures were from security of persons and property expenses.

The bond retirement fund has a total fund balance of \$265,242. The net decrease in fund balance during 2007 in this fund was approximately \$193,585. The bond retirement fund is funded primarily with income tax revenue at the level necessary to meet debt service requirements.

The municipal income tax fund has a total fund balance of \$2,608,539. The increase in fund balance during 2007 in this fund was approximately \$1,190,676. The increase is attributed to less funding of operations for the general fund, and the street maintenance and repair fund. During 2007, municipal income tax revenues increased by \$669,785 as a result of an increase in the tax rate.

Proprietary Funds. The City's proprietary funds provide the same information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at the end of the year amounted to (\$97,124), \$16,320, and \$16,420 for the solid waste collection, Maple Heights Transit, and advertising banner enterprises, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The total original and final appropriations, including those for transfers out, were \$14,454,388 and \$14,446,838. Actual budgetary expenditures were \$1,450,550 less than appropriations reflecting management's commitment in reducing costs in changing economic times.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of December 31, 2007, amounts to \$42,656,500 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, roads, traffic signals, sidewalks, and storm sewers. The total decrease in the City's investment in capital assets for 2007 was \$814,674 under 2006.

Table 3 - Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 180,871	\$ 180,871	\$ 0	\$ 0	\$ 180,871	\$ 180,871
Buildings	2,565,790	2,752,514	0	0	2,565,790	2,752,514
Equipment	503,514	516,295	10,609	14,496	514,123	530,794
Vehicles	2,025,348	2,154,893	5,711	12,798	2,031,059	2,167,691
Infrastructure:						
Roads	16,837,962	16,777,822	0	0	16,837,962	16,777,822
Traffic Signals	1,913,414	2,058,199	0	0	1,913,414	2,058,199
Sidewalks	933,595	966,240	0	0	933,595	966,240
Storm Sewers	17,679,686	18,037,043	0	0	17,679,686	18,037,043
Total	\$ 42,640,180	\$ 43,443,880	\$ 16,320	\$ 27,294	\$ 42,656,500	\$ 43,471,174

Additional information on the City's capital assets can be found in Note 10 of the financial statements.

City of Maple Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Long-Term Debt. As of December 31, 2007, the City had \$10,222,099 in bonds, notes, and loans outstanding with \$1,051,516 due within one year.

Table 4 - General Obligation and Revenue Bonds Outstanding

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
General Obligation Bonds, Notes, and Capital Leases	\$ 7,268,556	\$ 8,055,231
OWDA Loans	1,788,842	1,960,694
OPWC Loans	<u>1,164,701</u>	<u>1,115,125</u>
Total	\$ <u>10,131,413</u>	\$ <u>11,131,051</u>

The City's general obligation bonds ratings by Moody's Investor Services, Inc. is "A2".

The General Obligation Bonds are composed of 1998 Capital Purpose and Refunding 2000 Capital Purpose Bonds and 2004 Various Purpose Bonds. The OWDA and OPWC loans were reported in the special revenue fund and some costs will be paid from revenues collected from storm sewer charges. The OPWC loan for the Northfield Road improvement is pending upon completion of the project in 2007. As of December 31, 2007, only \$320,895 of the original projected loan of \$360,000 has been received by the City.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10.5% of total assessed valuation. The City's net legal debt margin within the 10.5% limit was \$39,328,926 on December 31, 2007.

Additional information regarding the City's long-term debt can be found in notes 15, 16 and 17 of the financial statements.

Economic Factors and Next Year's General Fund Budget

The City's elected and appointed officials considered many factors when setting the fiscal year 2007 budget. With the continued uncertainty surrounding the local economy, the City considered the impact on two primary revenue sources: income tax revenue and state shared revenue. Income tax continues to be the largest revenue source for the City. The City is received a much needed increase in Income Tax revenue due to the increase of Income tax rates effective on March 1, 2007. The 2008 outlook is favorable due to the higher ending balances in 2007 and the expected increase in income tax collections.

Contacting the City's Finance Department. This financial report is designed to provide citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends, or invests. If you have any questions, about this report or need financial information contact the Director of Finance at the City of Maple Heights, 5353 Lee Road, Maple Heights, Ohio 44137, telephone 216-662-6000, or email to edean@mapleheightsohio.com.

CITY OF MAPLE HEIGHTS, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Investments	\$5,548,870	\$28,551	\$5,577,421
Inventory	94,024	0	94,024
Accounts Receivable	162,990	0	162,990
Intergovernmental Receivable	1,762,927	0	1,762,927
Prepaid Items	69,654	6	69,660
Taxes Receivable	9,487,773	0	9,487,773
Special Assessments Receivable	66,972	0	66,972
Deferred Charges	77,251	0	77,251
Nondepreciable Capital Assets	180,871	0	180,871
Depreciable Capital Assets, Net	42,459,309	16,320	42,475,629
Total Assets	59,910,641	44,877	59,955,518
<u>Liabilities</u>			
Accounts Payable	265,770	100,987	366,757
Accrued Wages and Benefits	820,358	2,035	822,393
Intergovernmental Payable	391,452	1,488	392,940
Accrued Interest Payable	64,503	0	64,503
Unearned Revenue	5,683,652	0	5,683,652
Deferred Charges	67,307	0	67,307
Long-Term Liabilities:			
Due Within One Year	1,624,824	4,751	1,629,575
Due in More than One Year	11,166,308	0	11,166,308
Total Liabilities	20,084,174	109,261	20,193,435
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	32,418,081	16,320	32,434,401
Restricted for:			
Capital Projects	19,234	0	19,234
Debt Service	97,851	0	97,851
Special Revenue	2,352,613	0	2,352,613
Unrestricted	4,938,688	(80,704)	4,857,984
Total Net Assets	\$39,826,467	(\$64,384)	\$39,762,083

See accompanying notes to the basic financial statements

**CITY OF MAPLE HEIGHTS, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants, Interest & Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Security of Persons and Property	\$11,242,324	\$1,647,221	\$0	\$5,000	(\$9,590,103)	\$0	(\$9,590,103)
Public Health	94,162	0	0	0	(94,162)	0	(94,162)
Leisure Time Activities	709,153	103,485	0	0	(605,668)	0	(605,668)
Community Development	356,097	1,056,323	0	25,000	725,226	0	725,226
Public Works	1,409,789	770,581	0	0	(639,208)	0	(639,208)
Transportation	1,826,428	0	49,181	388,540	(1,388,707)	0	(1,388,707)
General Government	3,414,644	270,738	0	0	(3,143,906)	0	(3,143,906)
Interest and Fiscal Charges	545,769	0	0	0	(545,769)	0	(545,769)
Total Governmental Activities	19,598,366	3,848,348	49,181	418,540	(15,282,297)	0	(15,282,297)
Business-Type Activities							
Solid Waste Collection	1,275,259	840,268	0	0	0	(434,991)	(434,991)
Transit	10,974	0	0	0	0	(10,974)	(10,974)
Total Business-Type Activities	1,286,233	840,268	0	0	0	(445,965)	(445,965)
Total	\$20,884,599	\$4,688,616	\$49,181	\$418,540	(15,282,297)	(445,965)	(15,728,262)
General Revenues							
Property Taxes Levied for:							
General Purpose					3,594,782	0	3,594,782
Special Revenue					2,074,875	0	2,074,875
Debt Service					780,838	0	780,838
Income Tax Levied for:							
General Purposes					6,857,207	0	6,857,207
Grants and Entitlements not Restricted to Specific Programs					3,229,287	0	3,229,287
Gain on Sale of Capital Asset					16,561	0	16,561
Investment Earnings					173,885		173,885
Miscellaneous					67,623	0	67,623
Total General Revenues					16,795,058	0	16,795,058
Transfers					206,147	(206,147)	0
Total General Revenues and Transfers					17,001,205	(206,147)	16,795,058
Change in Net Assets					1,718,908	(652,112)	1,066,796
Net Assets Beginning of Year					38,107,559	587,728	38,695,287
Net Assets End of Year					\$39,826,467	(\$64,384)	\$39,762,083

See accompanying notes to the basic financial statements

CITY OF MAPLE HEIGHTS, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	General	Municipal Income Tax	Bond Retirement	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in Pooled Cash and Investments	\$ 756,738	\$ 1,607,793	\$ 265,242	\$ 2,919,097	\$ 5,548,870
Receivables:					
Taxes	3,577,415	2,772,069	879,271	2,259,018	9,487,773
Accounts	119,604	0	0	43,386	162,990
Special Assessment	66,972	0	0	0	66,972
Interfund	0	0	0	63,466	63,466
Intergovernmental	853,399	0	0	909,528	1,762,927
Inventory	60,354	0	0	33,670	94,024
Prepaid Items	68,206	0	0	1,448	69,654
Total Assets	\$ 5,502,688	\$ 4,379,862	\$ 1,144,513	\$ 6,229,613	\$ 17,256,676
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 115,399	\$0	\$0	\$ 150,371	\$ 265,770
Accrued Wages and Benefits	408,672	0	0	411,686	820,358
Due to Other Governments	311,816	0	0	79,636	391,452
Interfund Payable	0	63,466	0	0	63,466
Deferred Revenue	4,175,754	1,707,857	879,271	2,863,334	9,626,216
Total Liabilities	5,011,641	1,771,323	879,271	3,505,027	11,167,262
Fund Balances:					
Reserved for Inventory	60,354	0	0	33,670	94,024
Reserved for Prepaid Items	68,206	0	0	1,448	69,654
Reserved for Encumbrances	144,491	0	0	26,487	170,978
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	217,996	0	0	0	217,996
Special Revenue Funds	0	2,608,539	0	2,512,240	5,120,779
Debt Service Funds	0	0	265,242	0	265,242
Capital Projects Funds	0	0	0	150,741	150,741
Total Fund Balances	491,047	2,608,539	265,242	2,724,586	6,089,414
Total Liabilities and Fund Balances	\$ 5,502,688	\$ 4,379,862	\$ 1,144,513	\$ 6,229,613	\$ 17,256,676

See accompanying notes to the basic financial statements

CITY OF MAPLE HEIGHTS, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
December 31, 2007

Total Governmental Funds Balance	\$6,089,414
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	42,640,180
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Other Long-Term assets are not available to pay for current- period expenditures and therefore are defined in the funds.

Property Tax	\$	837,411
Income Tax		1,707,857
Estate Tax		25,347
Special Assessment		33,485
Homestead and rollback		328,608
Local Government		550,684
Gasoline and Auto Tax		196,739
Cat Tax		49,520
Water Use		<u>212,913</u>

Total	3,942,564
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Premium on General Obligation Bond and issuance costs reported in net assets of governmental activities and not reported in the fund.	9,944
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Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds		(7,177,870)
OWDA Loan		(1,788,842)
OPWC Loan		(1,164,701)
Capital Leases		(90,686)
Compensated Absences		(2,198,515)
Accrued Interest Payable		(64,503)
Police and Fire Pension Liability		<u>(370,518)</u>

Total	<u>(12,855,635)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$39,826,467</u></u>
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See accompanying notes to the basic financial statements

CITY OF MAPLE HEIGHTS, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Municipal Income Tax	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>					
Municipal Income Taxes	\$0	\$7,078,454	\$0	\$0	\$7,078,454
Property Taxes	3,530,766	0	870,721	2,280,328	6,681,815
Intergovernmental revenue	2,479,717	0	39,129	1,118,693	3,637,539
Special Assessments	90	0	0	8,429	8,519
Charges for Services	408,245	0	0	1,157,195	1,565,440
Fees, licenses, permits	770,831	0	0	297,014	1,067,845
Interest Income	173,884	0	0	6,549	180,433
Fines and Forfeitures	340,382	0	0	0	340,382
Miscellaneous	211,392	0	0	623,835	835,227
Total Revenue	7,915,307	7,078,454	909,850	5,492,043	21,395,654
<u>EXPENDITURES:</u>					
Security of Persons and Property	7,768,805	0	0	3,032,715	10,801,520
Public Health	94,162	0	0	0	94,162
Leisure Time Activities	622,721	0	0	41,399	664,120
Community Development	344,038	0	0	12,573	356,611
Basic Utilities Services	806,075	0	0	207,290	1,013,365
Transportation	39,165	0	0	1,025,186	1,064,351
General Government	2,455,255	488,233	22,757	410,270	3,376,515
Capital Outlay	0	0	0	1,062,139	1,062,139
Debt Service:					
Principal Retirement	0	0	725,742	221,951	947,693
Interest and Fiscal Charges	0	0	464,016	92,604	556,620
Total Expenditures	12,130,221	488,233	1,212,515	6,106,127	19,937,096
Excess of Revenues over (under) Expenditures	(4,214,914)	6,590,221	(302,665)	(614,084)	1,458,558
<u>Other Financing Sources (Uses)</u>					
Sales of Capital Assets	16,561	0	0	0	16,561
Transfers In	4,961,652	421,795	109,080	1,761,661	7,254,188
Transfers Out	(992,505)	(5,821,340)	0	(234,196)	(7,048,041)
Total Other Financing Sources (Uses)	3,985,708	(5,399,545)	109,080	1,527,465	222,708
Net Change in Fund Balances	(229,206)	1,190,676	(193,585)	913,381	1,681,266
Fund Balances Beginning of Year	720,253	1,417,863	458,827	1,811,205	4,408,148
Fund Balances End of Year	\$ 491,047	\$ 2,608,539	\$ 265,242	\$ 2,724,586	\$ 6,089,414

See accompanying notes to the basic financial statements

**CITY OF MAPLE HEIGHTS, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Net change in Fund Balances - Total Governmental Funds \$1,681,266

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	\$1,045,530	
Depreciation	<u>(1,841,978)</u>	
Total		(796,448)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (7,252)

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

Property taxes	(207,998)	
Municipal income taxes	(221,247)	
Special assessments	(11,626)	
Intergovernmental	<u>260,806</u>	
Total		(180,065)

Repayment of bond, and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 966,706

Other financing sources in the governmental funds that increase long-term liabilities in the Statement of Net Assets. These sources were attributed to the inception of capital leases. (121,023)

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

Compensated Absences	106,722	
Capital leases payable	70,215	
Premium and Issuance Costs on Bonds	(769)	
Accrued interest payable	<u>(444)</u>	
Total		<u>175,724</u>

Change in Net Assets of Governmental Activities \$1,718,908

See accompanying notes to the basic financial statements

CITY OF MAPLE HEIGHTS, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$ 3,490,301	\$ 3,490,301	\$ 3,530,765	\$ 40,464
Intergovernmental	2,580,246	2,580,245	2,670,449	90,204
Charges for Services	207,425	227,115	304,413	77,298
Fees, Licenses, and Permits	698,611	693,491	767,453	73,962
Fines and Forfeitures	314,000	319,645	339,476	19,831
Interest Income	150,000	150,000	173,884	23,884
Miscellaneous	151,513	131,748	207,453	75,705
Total Revenues	7,592,096	7,592,545	7,993,893	401,348
<u>Expenditures</u>				
Current:				
Security of Persons and Property	8,144,085	8,297,085	7,689,708	607,377
Leisure Time Activities	669,659	668,159	621,202	46,957
Community Development	277,477	359,477	329,064	30,413
Public Works	1,139,584	1,104,584	850,134	254,450
General Government	3,136,866	2,930,866	2,419,513	511,353
Public Health	94,162	94,162	94,162	0
Total Expenditures	13,461,833	13,454,333	12,003,783	1,450,550
Excess of Revenues Over (Under) Expenditures	(5,869,737)	(5,861,788)	(4,009,890)	1,851,898
<u>Other Financing Sources (Uses)</u>				
Procees form Sale of Capital Assets	9,100	8,650	16,561	7,911
Advances in	156,342	156,342	156,342	0
Transfer In	6,303,652	6,303,652	4,961,652	(1,342,000)
Transfer Out	(992,505)	(992,505)	(992,505)	0
Total Other Financing Sources (Uses)	5,476,589	5,476,139	4,142,050	(1,334,089)
Net Change in Fund Balance	(393,148)	(385,649)	132,160	517,809
Decertification of Prior Year Encumbrances	0	0	35,550	35,550
Fund Balance at Beginning of Year	444,537	444,537	444,537	0
Fund Balance End of Year	\$ 51,389	\$ 58,888	\$ 612,247	\$ 553,359

See accompanying notes to the basic financial statements

CITY OF MAPLE HEIGHTS, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL - MUNICIPAL INCOME TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Municipal Income Taxes	\$ 6,570,000	\$ 6,570,000	\$ 7,004,751	\$ 434,751
<u>Expenditures</u>				
Current:				
General Government				
Other	516,000	487,000	488,233	(1,233)
Excess of Revenues Over (Under) Expenditures	6,054,000	6,083,000	6,516,518	433,518
<u>Other Financing Sources (Uses)</u>				
Transfer In	425,000	425,000	421,795	(3,205)
Transfer Out	(6,619,000)	(6,903,340)	(5,821,340)	1,082,000
Total Other Financing Sources (Uses)	(6,194,000)	(6,478,340)	(5,399,545)	1,078,795
Net Change in Fund Balance	(140,000)	(395,340)	1,116,973	1,512,313
Fund Balance at Beginning of Year	490,820	490,820	490,820	0
Fund Balance End of Year	\$ 350,820	\$ 95,480	\$ 1,607,793	\$ 1,512,313

See accompanying notes to the basic financial statements.

CITY OF MAPLE HEIGHTS, OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007

	Business-Type Activities			Total
	Solid Waste Collection	Maple Heights Transit	Recreation Banner	
<u>Assets</u>				
Current Assets				
Equity in Pooled Cash and Investments	\$ 12,131	\$0	\$ 16,420	\$ 28,551
Prepaid Assets	<u>6</u>	<u>0</u>	<u>0</u>	<u>6</u>
Total Current Assets	12,137	0	16,420	28,557
Non-current Assets				
Depreciable Capital Assets, (Net of Accumulated Depreciation)	<u>0</u>	<u>16,320</u>	<u>0</u>	<u>16,320</u>
Total Assets	<u>12,137</u>	<u>16,320</u>	<u>16,420</u>	<u>44,877</u>
<u>Liabilities</u>				
Current Liabilities				
Accounts Payable	100,987	0	0	100,987
Accrued Wages and Benefits	2,035	0	0	2,035
Deferred Revenue	<u>1,488</u>	<u>0</u>	<u>0</u>	<u>1,488</u>
Total Current Liabilities	104,510	0	0	104,510
Non-current Liabilities				
Accrued Compensated Absences	<u>4,751</u>	<u>0</u>	<u>0</u>	<u>4,751</u>
Total Liabilities	<u>109,261</u>	<u>0</u>	<u>0</u>	<u>109,261</u>
<u>Net Assets</u>				
Invested in Capital Assets	0	16,320	0	16,320
Unrestricted (Deficit)	<u>(97,124)</u>	<u>0</u>	<u>16,420</u>	<u>(80,704)</u>
Total Net Assets	<u>\$ (97,124)</u>	<u>\$16,320</u>	<u>\$16,420</u>	<u>\$ (64,384)</u>

See accompanying notes to the basic financial statements.

CITY OF MAPLE HEIGHTS, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities			Total
	Solid Waste Collection	Maple Heights Transit	Recreation Banner	
<u>Operating Revenues</u>				
Charges for Services	\$840,268	\$0	\$0	\$840,268
<u>Operating Expenses</u>				
Personnel	59,330	0	0	59,330
Contractual Services	1,213,879	0	0	1,213,879
Other	2,050	0	0	2,050
Depreciation	0	10,974	0	10,974
Total Operating Expenses	1,275,259	10,974	0	1,286,233
Loss Before Operating Transfers	(434,991)	(10,974)	0	(445,965)
Transfers - In	600,000	0	0	600,000
Transfers - Out	(400,000)	(406,147)	0	(806,147)
Net Loss	(234,991)	(417,121)	0	(652,112)
Net Assets at Beginning of Year	137,867	433,441	16,420	587,728
Net Assets (Deficit) at End of Year	(\$97,124)	\$16,320	\$16,420	(\$64,384)

See accompanying notes to the basic financial statements.

**CITY OF MAPLE HEIGHTS, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Business-Type Activities</u>			<u>Total</u>
	<u>Solid Waste Collection</u>	<u>Maple Heights Transit</u>	<u>Recreation Banner</u>	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
<u>Cash Flows From Operating Activities</u>				
Cash Received from Customers	\$1,050,321	\$0	\$0	\$1,050,321
Cash Payments to Employees for Services	(57,586)	0	0	(57,586)
Cash Payments to Suppliers for Goods or Services	<u>(1,199,359)</u>	<u>0</u>	<u>0</u>	<u>(1,199,359)</u>
Net Cash Used in Operating Activities	<u>(206,624)</u>	<u>0</u>	<u>0</u>	<u>(206,624)</u>
<u>Cash Flows From Non-Capital Financing Activities</u>				
Cash Transfers from Other Funds	<u>200,000</u>	<u>(406,147)</u>	<u>0</u>	<u>(206,147)</u>
Net Decrease in Cash and Cash Equivalents	(6,624)	(406,147)	0	(412,771)
Cash and Cash Equivalents at Beginning of Year	<u>18,755</u>	<u>406,147</u>	<u>16,420</u>	<u>441,322</u>
Cash and Cash Equivalents at End of Year	<u><u>\$12,131</u></u>	<u><u>\$0</u></u>	<u><u>\$16,420</u></u>	<u><u>\$28,551</u></u>

See accompanying notes to the basic financial statements.

CITY OF MAPLE HEIGHTS, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

	Business-Type Activities			Total
	Solid Waste Collection	Maple Heights Transit	Recreation Banner	
<u>Reconciliation of Operating</u>				
<u>Loss to Net Cash From Operating</u>				
<u>Activities</u>				
Operating Loss	(\$434,991)	(\$10,974)	\$0	(\$445,965)
Adjustments to Reconcile Operating Loss to Net Cash From Operating Activities:				
Depreciation	0	10,974	0	10,974
Changes in Assets and Liabilities:				
(Increase) Decrease in Receivables	235,180	0	0	235,180
(Increase) Decrease in Prepaid Assets	(6)	0	0	(6)
Increase (Decrease) in Accounts Payable	17,464	0	0	17,464
Increase (Decrease) in Accrued Wages and Benefits	(221)	0	0	(221)
Increase (Decrease) in Accrued Compensated Absences	408	0	0	408
Increase (Decrease) in Deferred Revenue	(25,127)	0	0	(25,127)
Increase (Decrease) in Due to Other Governments	669	0	0	669
Total Adjustments	228,367	10,974	0	239,341
Net Cash Used in Operating Activities	(\$206,624)	\$0	\$0	(\$206,624)

See accompanying notes to the basic financial statements.

City of Maple Heights, Ohio
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY NET ASSETS
December 31, 2007

<u>Assets</u>	<u>Agency</u>
Equity in Pooled Cash and Investments	\$51,961
Equity in Pooled Cash - Segregated	<u>3,800</u>
Total Assets	<u><u>\$55,761</u></u>
<u>Liabilities</u>	
Accounts Payable	\$832
Deposits Held and Due to Others	<u>54,929</u>
Total Liabilities	<u><u>\$55,761</u></u>

See accompanying notes to the basic financial statements.

**CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 1: DESCRIPTION OF CITY AND REPORTING ENTITY

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

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City.

The City provides various services including police and fire protection, health, parks and recreation, street maintenance, planning and zoning, sewer services, mayor’s court, community development, public transit, senior adult and general administrative services. The operation of these activities is directly controlled by Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; (3) the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; (4) or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

A. Basis of Presentation

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

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

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

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING** (Continued)

A. Basis of Presentation (Continued)

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

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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

Municipal Income Tax Fund The Municipal Income Tax Fund accounts for the receipt and transfer of income taxes levied by City Ordinance.

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING** (Continued)

B. Fund Accounting

Bond Retirement Fund The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs

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

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

Enterprise Fund Enterprise funds may be used for any activity for which a fee is charged to external users for goods and services. The following are the City's major enterprise funds:

Solid Waste Collection The Solid Waste Collection Fund accounts for the operations of the refuse pick-up and hauling system provided by the City.

Maple Heights Transit Fund The Maple Heights Transit Fund accounts for operations of the Maple Heights Transit System.

Recreation Banner The Recreation Banner Fund accounts for revenues from sales of advertising banners at the City park.

Fiduciary Funds

Fiduciary Fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: Pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve the measurement of results of operations. The City's agency funds account for deposits held for contractors and developers.

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING** (Continued)

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

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

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

D. Basis of Accounting

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

Pursuant to GASB Statement No. 20, “*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*,” the City follows GASB guidance as applicable to proprietary funds and

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING** (Continued)

D. Basis of Accounting (Continued)

FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The City's policy on FASB statements and interpretations issued after November 30, 1989 concerning business-type activities and enterprise funds is to not apply any FASB interpretations issued after November 30, 1989 concerning business-type activities and enterprise funds.

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

Non exchange transaction, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year for which the taxes are levied (See Note 7). Revenues from grants, entitlements and donations are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING** (Continued)

D. Basis of Accounting (Continued)

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance year 2007 operations, have been recorded as unearned revenue on the statement of net assets. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the Pool is presented as "equity in pooled cash and investments".

During 2007, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio).

Investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit and repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2007.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2007 amounted to \$173,884. For

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING** (Continued)

E. *Cash and Cash Equivalents* (Continued)

presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months are reported as investments. Cash and equivalents are displayed as “equity in pooled cash and investments” in all funds.

F. *Inventory*

On governmental-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at a lower of cost or market. For all funds, cost is determined on a first-in, first out basis. The cost of inventory items is recorded as expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used. Inventory consists of expendable supplies held for consumption.

G. *Prepaid Items*

Payments made to vendors for services that will benefit periods beyond December 31, 2007 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year which services are consumed.

H. *Capital Assets*

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING** (Continued)

H. Capital Assets (Continued)

are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	65 years
Equipment	5 to 20 years
Vehicles	5 to 15 years
Infrastructure	20 to 75 years

For 2007, infrastructure capital assets were calculated without the City's water mains. The infrastructure assets will be completed in 2008 with inclusion of this item to capital assets.

I. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. Compensated Absences

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

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING** (Continued)

J. *Compensated Absences (Continued)*

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

K. *Accrued Liabilities and Long-term Obligations*

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

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

L. *Fund Balance Reserves*

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, inventory and prepaid items.

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING** (Continued)

M *Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. *Operating Revenues and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for waste collection, public transit services and advertising. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. All revenues and expenses are meeting this definition are reported as nonoperating.

O. *Inter fund Activity*

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditure/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditure/expenses to the funds that initially paid for them are not presented on the financial statements.

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING** (Continued)

P. *Extraordinary and Special Items*

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type occurred in 2007.

Q. *Estimates*

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

R. *Budgetary Data*

All funds, except agency funds, are legally required to be budgeted and appropriated however, only governmental funds are required to be reported. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances. Council appropriations are made to personnel costs, (including benefits) other costs, capital outlay, debt service, and transfer accounts for each department. The legal level of budgetary control is at the object level (i.e. personnel costs) whereby the City maintains this control by not permitting expenditures to exceed appropriations for departments of the City without approval of City Council. Adjustments to the budget can only be made within a department and then within each category. Further legislation is needed in order to move budget authority from personnel costs' to 'other costs' or vice versa, or between departments.

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

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING** (Continued)

R. Budgetary Data (Continued)

The appropriation ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year. The amounts reported as the final budgeted amount represent the final appropriation amounts passed by Council during the year.

NOTE 3: **CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2007, the City implemented GASB Statements No. 43, "Financial Reporting for Postemployment Benefit Plans other than Pension Plans", No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and No. 50, "Pension Disclosures". GASB Statement No. 43 applies for other postemployment benefit (OPEB) trust funds included in the financial reports of plan sponsors or employers and provides requirements for reporting OPEB funds by administrators of multiple employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or a collateralized borrowing. The statement also includes disclosure requirements for future revenues that are pledged and sold. GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements.

The implementation of GASB Statements No. 43, No. 48 and No. 50 did not affect the presentation of the financial statements of the City.

NOTE 4: **ACCOUNTABILITY**

The following funds had deficit fund balances/net assets at December 31, 2007:

<u>Fund</u>	
Special Revenue Funds:	
Police Pension	\$104,986
Fire Pension	151,319

The deficit in Police Pension Fund and Fire Pension fund is due to accrued liabilities. The General Fund is liable for any deficit and provides operating transfers when cash is required, rather when accruals occur.

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 5: BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Investments are reported at cost (budget) rather than fair value (GAAP).

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

Net Change in Fund Balance		
	<u>General</u>	<u>Municipal Income Tax</u>
GAAP Basis	\$ (229,206)	\$ 1,190,676
Net Adjustment for Revenue Accruals	234,928	(73,703)
Net Adjustment for Expenditure Accruals	(18,053)	0
Encumbrances	<u>144,491</u>	<u>0</u>
 Budget Basis	 \$ <u>132,160</u>	 \$ <u>1,116,973</u>

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 6: DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories

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

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

Interim monies are those monies which are not needed for immediate use but will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by an Federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
4. Investment grade obligations of state and local governments, and public authorities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and the State Treasurer's investment pool (STAROhio).

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

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

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

A. Cash on Hand

At December 31, 2007, the City had \$2,590 in undeposited cash on hand, which is included on the balance sheet of the City as part of "Equity in Pooled Cash and Investments".

B. Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of City funds shall be required to pledge as security for repayment of all public monies.

At year-end, the carrying amount of the City's deposits was \$5,158,336, including \$3,800 held by trustees in segregated accounts and the bank balance was \$5,193,854. Of the bank balance, \$344,546 was covered by Federal Depository Insurance and \$4,849,308 was insured and collateralized with securities held by the pledging institution's trust department, not in the City's name.

C. Investments

Investments are reported at fair value. As of December 31, 2007, the City had the following investments:

	<u>Fair Value</u>
STAROhio	\$ <u>474,846</u>
Total Portfolio	\$ <u>474,846</u>

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

C. **Investments** (Continued)

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk requiring that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City's investment policy also limits security purchases to those that mature in five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than three years.

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institution and broker/dealers who desire to become qualified for investment transactions with the City must meet a set of prescribed standards and be periodically reviewed.

Credit Risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. All investments of the City are registered and carry a rating AAA by Standard & Poor's.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The City's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations. On December 31, 2007, 100 percent of the City's investment allocation is in STAROhio.

NOTE 7: **PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 7: **PROPERTY TAXES** (Continued)

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The full tax rate for all City operations for the year ended December 31, 2007, was \$15.35 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$ 415,550,610
Public Utility Real	7,105,940
Tangible Personal	<u>10,132,658</u>
Total	<u>\$ 432,789,208</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Maple Heights. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes and public utility taxes which are measurable as of December 31, 2007 and for which there is an enforceable legal claim. In the general fund, the bond retirement, street lighting, police and fire pension funds and police and fire levy special revenue funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2007 operations and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectable delinquent property taxes have been recorded as revenue while the remainder of the receivables is deferred.

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 8: INCOME TAX

The residents of the City are required to pay City income taxes on income they earn outside the City. Prior to January 1, 1990, 100 percent credit was allowed for all income taxes paid to other municipalities. Effective January 1, 1990, the credit against a person's City income tax liability for municipal income taxes paid at a rate of 2 percent on the same income to another municipal corporation was reduced from 100 percent to 75 percent. Effective January 1, 1995 the credit was increased from 75 percent to 80 percent.

The City levies an income tax of 2.5 percent on all income earned within the City as well as income of residents earned outside the City. The City allows a credit of 2.5 percent on the income earned outside the City and paid to another municipality. Employers within the City are required to withhold income tax on employee compensation and remit this tax to an intermediary collection agency (Regional Income Tax Agency) at least quarterly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the collection agency. The collection agency remits taxes collected to the City each month.

NOTE 9: RECEIVABLES

Receivables at December 31, 2007, consisted of taxes, accounts (billings for user charged services), special assessments, interest, and intergovernmental receivables. All receivables are deemed collectible in full.

A. Intergovernmental

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Gasoline Tax	\$230,493
Motor Vehicle Licenses	65,428
Permissive Tax	10,247
Local Government	912,024
Estate Tax	50,694
Water Use Fees	344,041
City of Cleveland	<u>150,000</u>
Total	<u>\$1,762,927</u>

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 9: **RECEIVABLES** (Continued)

B. Interfund Receivable

Interfund Balances at Decmeber 31, 2007, consist of the following individual Fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Municipal Income Tax	\$0	\$63,466
Northfield Road Improvement	<u>63,466</u>	<u>0</u>
 Total	 <u>\$63,466</u>	 <u>\$63,466</u>

The balance resulted from funds being requested from the Ohio Department of Transportation and a local government entity prior to year end but payment being received after year end.

NOTE 10: **CAPITAL ASSETS**

A summary of changes in capital assets during 2007 follows:

	<u>Balance</u> <u>12/31/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/07</u>
Governmental Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ <u>180,871</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>180,871</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>180,871</u>	<u>0</u>	<u>0</u>	<u>180,871</u>
<i>Capital Assets Being Depreciated</i>				
Building	5,891,402	52,427	0	5,943,829
Equipment	759,226	56,076	0	815,302
Vehicles	4,447,760	169,969	(20,719)	4,597,010
Infrastructure:				
Roads	22,044,289	767,058	0	22,811,347
Traffic Signals	2,895,701	0	0	2,895,701
Sidewalks	1,305,802	0	0	1,305,802
Storm Sewers	<u>21,334,967</u>	<u>0</u>	<u>0</u>	<u>21,334,967</u>
<i>Total Capital Assets Being Depreciated</i>	<u>58,679,147</u>	<u>1,045,530</u>	<u>(20,719)</u>	<u>59,703,958</u>

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 10: **CAPITAL ASSETS** (Continued)

	<u>Balance</u> <u>12/31/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/07</u>
Governmental Activities (continued)				
Less Accumulated Depreciation				
Building	(3,138,887)	(239,152)	0	(3,378,039)
Equipment	(242,927)	(68,861)	0	(311,788)
Vehicles	(2,292,867)	(292,262)	13,467	(2,571,662)
Infrastructure:				
Roads	(5,266,466)	(706,919)	0	(5,973,385)
Traffic Signals	(837,502)	(144,785)	0	(982,287)
Sidewalks	(339,562)	(32,645)	0	(372,207)
Storm Sewers	(3,297,927)	(357,354)	0	(3,655,281)
<i>Total Accumulated Depreciation</i>	<u>(15,416,138)</u>	<u>(1,841,978)</u>	<u>13,467</u>	<u>(17,244,649)</u>
Total Capital Assets Being Depreciated, Net	<u>43,263,009</u>	<u>(796,448)</u>	<u>(7,252)</u>	<u>42,459,309</u>
Governmental Activities Capital Assets, Net	<u>\$43,443,880</u>	<u>\$(796,448)</u>	<u>\$(7,252)</u>	<u>\$42,640,180</u>
	<u>Balance</u> <u>12/31/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/07</u>
Business-Type Activities				
<i>Capital Assets Being Depreciated</i>				
Building	\$225,338	\$0	\$0	\$225,338
Equipment	169,558	0	0	169,558
Vehicles	<u>51,840</u>	<u>0</u>	<u>0</u>	<u>51,840</u>
<i>Total Capital Assets Being Depreciated</i>	<u>446,736</u>	<u>0</u>	<u>0</u>	<u>446,736</u>
Less Accumulated Depreciation				
Building	(225,338)	0	0	(225,338)
Equipment	(155,062)	(3,887)	0	(158,949)
Vehicles	<u>(39,042)</u>	<u>(7,087)</u>	<u>0</u>	<u>(46,129)</u>
<i>Total Accumulated Depreciation</i>	<u>(419,442)</u>	<u>(10,974)</u>	<u>0</u>	<u>(430,416)</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 27,294</u>	<u>\$(10,974)</u>	<u>\$0</u>	<u>\$16,320</u>

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 10: **CAPITAL ASSETS** (Continued)

Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property	\$ 453,617
Transportation	851,703
General Government	46,505
Leisure Time Activities	43,576
Basic Utility Services	<u>446,577</u>
Total	<u>\$1,841,978</u>

NOTE 11: **RISK MANAGEMENT**

The Northern Ohio Rick Management Association (NORMA) is jointly owned and operated by the cities of Maple Heights, Bedford Heights, Chagrin Falls, Eastlake, Highland Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid and the Village of Hudson for the purpose of enabling its members to obtain the maximum exposure protection at the least possible cost. The pool has a complete package of coverage, including property, general liability, automobile liability, employee dishonest, boiler and machinery, and other coverage, supplemented by an umbrella policy. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of one representative from each of the participating members. Each entity must commit to the Association for terms of three years.

Each member provides operating resources to NORMA based on actuarially determined rates and shares in NORMA's equity based on the City's percentage of contributions. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, up to an additional \$147,500 will be paid from the self-insurance pool. Any additional payment is made from the stop loss coverage carried by the pool. As of December 31, 2007 NORMA had an aggregate stop loss of \$750,000 per policy year. Any losses over these amounts would be the obligation of the excess insurance carriers. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment. (This has not been necessary throughout the fourteen-year history of the pool.)

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 11: **RISK MANAGEMENT** (Continued)

There were no reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

<u>Type of Coverage</u>	<u>Coverage Amount</u>
Property	\$15,968,301
Automobile Liability	1,000,000
General Liability, Per Occurrence	1,000,000
General Liability, In Aggregate	5,000,000
Public Employee Dishonest Bond	500,000
Money and Securities	100,000
Fire/EMT Liability	2,000,000
Public Officials Liability	2,000,000
Umbrella Liability	2,000,000
Inland Marine	1,000,000
Law Enforcement Liability:	
Per Occurrence	1,000,000
In Aggregate	2,000,000

The City continues to carry health, dental and eye insurance through Aetna, Assurant, and Union respectively. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 12: **DEFINED BENEFIT PENSION PLANS**

A. Ohio Public Employees Retirement System

The City of Maple Heights participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 12: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. Ohio Public Employees Retirement System (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans.

Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans (TP, MD and CO). For the year ended December 31, 2007, the members were required to contribute 9.5 percent of their annual covered salaries to fund pension obligations. The City contributed 13.85 percent of covered payroll, of which 5 percent was used to fund health care coverage for retirees. The contribution rate is determined actuarially. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City of Maple Heights's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$589,050, \$581,702, and \$708,445 respectively, equal to the required contributions for each year. 88.71 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

B. Ohio Police and Fire Pension Fund

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

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 12: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. Ohio Police and Fire Pension Fund (Continued)

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by state statute. The City of Maple Heights's contributions to the fund for police and firefighters were \$531,576, and 635,787 for the year ended December 31, 2007 and \$547,136 and \$619,513 for the year ended December 31, 2006, \$561,737 and \$620,641 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 72.57 percent for police and 72.88 percent for firefighters has been contributed for 2007 with the remainder being reported as a liability.

NOTE 13: **POSTEMPLOYMENT BENEFITS**

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and post-retirement healthcare benefits to qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage

In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. The 2007 employer contribution rate was 13.85 percent of covered payroll; 5 percent was the portion that was used to fund health care.

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)

A. *Ohio Public Employees Retirement System* (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 percent. An annual increase of 4.0 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number or active employees. Additionally, annual pay increase, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 percent to 5.00 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investments assets annually.

At December 31, 2007 and 2006, the number of active contributing participants in the Traditional and Combined Plans totaled 374,979 and 362,130 respectively. The city's actual contributions for 2007, which were used to fund postemployment benefits, were \$233,911.75. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfounded actuarially accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructured OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 13: **POSTEMPLOYMENT BENEFITS** (Continued)

B. Ohio Police and Fire Pension Fund

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retirement Medical Account that can be used to fund future health care expenses.

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement NO.12. The Ohio Revised Code provides that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. The Ohio Revised Code provides the statutory authority allowing the OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The total police employer contribution is 19.5 percent covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent and 6.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2007 respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2006, the date of the last actuarial valuation available, was 14,120 for police and 10,563 for firefighters. The City's actual contributions for 2007 that was used to fund postemployment benefits were \$183,925.29 for police and \$178,656.14 for fire. The OP&F's total health care expenses for the year ended December 31, 2006, the date of the last actuarial valuation available, was \$120,373,722, which was net of member contributions of \$58,532,848.

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 14: COMPENSATED ABSENCES

City employees earn vacations leave at graduated rates based on length of service. The City accrues the vacation leave benefits as earned. Current policy does not permit vacation leave to carry forward. City employees are paid for earned unused vacation leave at the time of terminations employment.

City employees earn sick leave which, if not taken, accumulates until retirement. Sick leave is accumulated at the rate for 4.6 hours for every 80 hours worked. Upon retirement, and employee is paid up to 40% of accumulated sick leave, subject to certain limitations, calculated at current wage rates.

NOTE 15: CAPITAL LEASES

The capital lease obligations are agreements entered into by the City for certain leased equipment. Such agreements are treated as lease purchases (capital leases) and meet the criteria of a capital lease as defined by Financial Accounting Standards No. 13 “Accounting for Leases” and have been recorded on the government-wide statements. Upon satisfaction of the lease obligations, title to the equipment will pass to the City. The City acquired a bucket truck in 2003 and a snow plow truck and street sweeper through capital leases in 2004. Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2007 are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>				<u>Total</u>
	<u>Bucket Truck</u>	<u>Snow Plow Truck</u>	<u>Street Sweeper</u>	<u>Phone System</u>	
2008	\$3,909	\$20,186	\$35,068	\$9,561	\$68,724
2009	0	0	0	9,561	9,561
2010	0	0	0	9,561	9,561
2011	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,561</u>	<u>9,561</u>
Total Minimum Lease Payments	3,909	20,186	35,068	38,244	97,407
Less: Amount Representing					
Interest	<u>(217)</u>	<u>(1,177)</u>	<u>(1,681)</u>	<u>(3,646)</u>	<u>(6,721)</u>
Present Value of Minimum Lease Payments	<u>\$3,692</u>	<u>\$19,009</u>	<u>\$33,387</u>	<u>\$34,598</u>	<u>\$90,686</u>

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 15: CAPITAL LEASES (Continued)

The cost and accumulated depreciation of leased capital assets are as follows:

	Bucket <u>Truck</u>	Snow Plow <u>Truck</u>	Street <u>Truck</u>	Phone <u>System</u>
Assets:				
Vehicles	\$42,491	\$100,938	\$175,348	\$0
Equipment	0	0	0	42,178
Accumulated Depreciation	<u>(12,748)</u>	<u>(23,552)</u>	<u>(40,915)</u>	<u>(4,218)</u>
Net Book Value	<u>\$29,743</u>	<u>\$77,386</u>	<u>\$134,433</u>	<u>\$37,960</u>

NOTE 16: LONG-TERM OBLIGATIONS

The original issue date, interest rate, original issue amount and date of maturity of each of the City's bonds and loans follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
General Obligation Bonds			
1998 Capital Purpose and Refunding	3.75%-4.95%	\$5,557,480	December 1, 2011
2000 Capital Purpose Bonds	4.70%-5.25%	2,995,000	December 1, 2020
2004 General Obligation Various Purpose	2.00%-5.25%	4,110,000	December 1, 2018
OWDA Loan			
1996 Kenyon/Gardenview Sewer Imp.	4.16%	2,515,205	January 1, 2016
1996 Phase I Sewer Imp.	4.35%	765,161	January 1, 2016
1997 Phase II Sewer Imp.	4.04%	110,426	January 1, 2016
OPWC Loan			
1994 Maplewood/Northwood Sewers	0%	686,898	January 1, 2016
1997 Southgate Pk/Lee Rd. South	0%	185,649	January 1, 2019
2003 Industrial Ave./E. 141st. Improvement	0%	556,403	July 1, 2023
2005 Northfield Road	0%	320,895	Pending
Accrued Police and Fire Pension		370,518	May 1, 2035

* Amount may change upon completion of project in 2007

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 16: LONG-TERM OBLIGATIONS

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

	Outstanding 12/31/2006	Additions	Reductions	Outstanding 12/31/2007	Amount Due in One Year
<i>Governmental Activities</i>					
General Obligation Bonds					
1998 Capital Purpose & Refunding	\$ 1,984,330	\$0	\$ 321,460	\$ 1,662,870	\$ 308,353
2000 Capital Purpose Bonds	2,385,000	0	120,000	2,265,000	130,000
2004 Various Purpose Bonds	3,525,000	0	275,000	3,250,000	285,000
Total General Obligation Bonds	<u>7,894,330</u>	<u>0</u>	<u>716,460</u>	<u>7,177,870</u>	<u>723,353</u>
Accrued Police/Fire Pension Liab.	377,465	0	6,947	370,518	7,296
Compensated Absences Payable	2,305,237	118,903	225,625	2,198,515	566,012
Capital Lease Payable	160,901	0	70,215	90,686	64,737
OWDA Loans					
1996 Kenyon/Gardenview Sewer Imp.	1,451,132	0	127,425	1,323,707	132,780
1996 Phase I Sewer Imp.	444,899	0	38,737	406,162	40,440
1997 Phase II Sewer Imp.	64,663	0	5,690	58,973	5,923
Total OWDA Loans	<u>1,960,694</u>	<u>0</u>	<u>171,852</u>	<u>1,788,842</u>	<u>179,143</u>
OPWC Loans					
1994 Maplewood/Northwood Sewers	326,277	0	34,345	291,932	34,345
1997 Southgate Pl/Lee Rd. South	116,033	0	9,282	106,751	9,282
2003 Industrial Ave./E.141st. Imp.	472,943	0	27,820	445,123	27,820
2005 Northfield Road Improvement	199,872	121,023	0	320,895	12,836
Total OPWC Loans	<u>1,115,125</u>	<u>121,023</u>	<u>71,447</u>	<u>1,164,701</u>	<u>84,283</u>
Total Loans Payable	<u>3,075,819</u>	<u>121,023</u>	<u>243,299</u>	<u>2,953,543</u>	<u>263,426</u>
Total Governmental Activities	<u>\$13,813,752</u>	<u>\$239,926</u>	<u>\$1,262,546</u>	<u>\$12,791,132</u>	<u>\$1,624,824</u>
<i>Business Type Activities</i>					
Compensated Absences Payable	\$ 4,343	\$ 408	\$0	\$ 4,751	\$ 4,751

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 16: LONG-TERM OBLIGATION (Continued)

General obligation bonds will be paid from the bond retirement fund. The special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The police and fire pension liability will be paid from levied taxes in the police and fire pension special revenue funds. Capital leases will be paid from the bond retirement fund and the street maintenance & repair special revenue fund. Compensated absences will be paid from the general fund, police and fire services special revenue funds, ambulance billing, solid waste collection, and street construction and repair special revenue funds, and the transit enterprise fund. The reduction of the compensated absences for business-type activities is attributed to the transfer of operations of Maple Heights Transit System to the Greater Cleveland Regional Transit Authority (Effective March 3, 2005). The OWDA and OPWC loans reported in the special revenue fund will be paid from revenues derived by the City from sewer charges. The OPWC loan for the Northfield Road Improvement is pending upon completion of the project in 2007. As of December 31, 2007 only \$320,895 of the original projected loan of \$369,000 has been received.

The City's overall legal debt margin was \$40,126,527 at December 31, 2007. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2007, are as follows:

Year	General Obligation Bonds		Ohio Public Works Commission		Ohio Water Development Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 723,353	\$ 469,892	\$ 84,283	\$ -	\$ 179,143	\$ 73,247
2009	723,040	470,480	84,283	0	186,744	65,646
2010	723,353	474,755	84,283	0	194,668	57,723
2011	708,124	463,420	84,283	0	202,928	49,463
2012	570,000	208,755	84,283	0	211,539	40,852
2013-2017	2,770,000	673,100	351,348	0	813,820	69,755
2018-2022	960,000	86,100	235,755	0	0	0
2023-2027	0	0	91,999	0	0	0
2028-2032	0	0	64,184	0	0	0
2033-2037	0	0	0	0	0	0
Totals	\$ 7,177,870	\$ 2,846,502	\$ 1,164,701	\$ -	\$ 1,788,842	\$ 356,686

Year	Accrued Police and Fire Pension Liability		Total Governmental Activities	
	Principal	Interest	Principal	Interest
2008	\$ 7,296	\$ 15,690	\$ 994,075	\$ 558,829
2009	7,610	15,377	1,001,677	551,503
2010	7,938	15,049	1,010,242	547,527
2011	8,279	14,708	1,003,614	527,591
2012	8,635	14,352	874,457	263,959
2013-2017	49,077	65,857	3,984,245	808,712
2018-2022	57,252	57,682	1,253,007	143,782
2023-2027	52,351	65,283	144,350	65,283
2028-2032	92,337	22,630	156,521	22,630
2033-2037	79,744	3,494	79,744	3,494
Totals	\$ 370,518	\$ 290,121	\$ 10,501,931	\$ 3,493,309

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 17: DEFEASED DEBT

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. Per financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of December 31, 2007, the amount of defeased debt outstanding by being removed from the City's government-wide statements amounted to \$715,000.

NOTE 18: CONTINGENCIES

A. Litigation

The City of Maple Heights is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. In those cases where a loss is probable and measurable, a liability has been recognized. It is the opinion of the city that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any on the financial position of the City.

B. Grants

The disbursement of funds received under federal and state grants generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any potential disallowed claims resulting from such an audit could become a liability of the City. However, City management believes any such disallowed claims would be immaterial on the overall financial position of the City at December 31, 2007.

NOTE 19: JOINTLY GOVERNED ORGANIZATIONS

A. *Northern Ohio Risk Management Association*

The Northern Ohio Risk Management Association (NORMA) municipal insurance pool was originally formed in 1987. The city of Maple Heights became a member on October 1, 1993. The pool is comprised of eleven member cities that pool resources for the purpose of gaining maximum general liability, property and casualty coverage's at the least possible cost. NORMA is governed by a board of Trustees consisting of a representative from each municipality. The Trustees exercise control over such matters as budgeting and contracting services. Each city's degree of control is limited to its representation on the Board. In 2007, the City of Maple Heights remitted \$146,831 in insurance premiums to NORMA.

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 19: **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

B. Northeast Ohio Public Energy Council

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for community's wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 100 communities who have been authorized by ballot to purchase electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities. NOPEC is governed by a General Assembly made up of one representative from each community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting, Board Chairman, 1615 Clark Avenue, Cleveland Oh 44109.

C. Southeast Area Law Enforcement Organization

The Southeast Area Law Enforcement Organization is comprised of seven municipalities in southeastern Cuyahoga County for the purpose of providing assistance in the form of a SWAT team, Bomb Unit, Investigative Unit, Narcotics Unit, Crisis Negotiation Team, and Communications Unit. In 2007, the City of Maple Heights contributed \$26,545 to the organization. The Southeast Area Law Enforcement organization financial statements may be obtained by contacting the Finance Director from the City of Bedford, Ohio.

D. Chagrin/Southeast Council of Governments

The Chagrin/Southeast Council of Governments operates the Chagrin/Southeast HazMat Response Team. The team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. In 2007, the City of Maple Heights contributed \$3,500 to the organization. The Chagrin/Southeast Council of Governments financial statements may be obtained by contacting the Finance Director from the City of Bedford Heights, Ohio.

CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 20: INTERFUND TRANSFERS

The municipal income tax fund transfers to the major and non-major governmental funds were made to provide additional resources for current operations. The transfers from the non-major governmental funds to general fund and non-major governmental funds were made to provide additional resources for current operations. The transfers from the non-major governmental funds to the bond retirement fund were to cover various debt obligations of the City. The transfers from the general fund to the non-major governmental funds were to pay for the current portion of the Ohio Police and Fire Pension. The transfer from the Transit enterprise fund to the general fund was to pay for additional resources for current operations. All transfers were in compliance with the Ohio Revised Code. Transfers of \$806,147 were eliminated on the government-wide financial statements since they were within the governmental and business-type activities. Transfers made during the year ended December 31, 2007 were as follows:

<u>Transfer To</u>	<u>Transfer From</u>					<u>Total</u>
	<u>Governmental Activities</u>			<u>Business Type Activities</u>		
	<u>General</u>	<u>Municipal Income Tax</u>	<u>Non-Major Governmental Activities</u>	<u>Solid Waste Collection</u>	<u>Municipal BusLine</u>	
<u>Governmental Activities</u>						
General	\$ -	\$ 4,550,000	\$ 5,505	\$ -	\$ 406,147	\$ 4,961,652
Bond Retirement	0	0	109,080	0	0	\$109,080
Municipal Income Tax	0	0	21,795	400,000	0	\$421,795
Non-Major Governmental Funds	992,505	671,340	97,816	0	0	\$1,761,661
<u>Total Governmental Activities</u>	<u>992,505</u>	<u>5,221,340</u>	<u>234,196</u>	<u>400,000</u>	<u>406,147</u>	<u>7,254,188</u>
<u>Business Type Activities</u>						
Solid Waste Collection	0	600,000	0	0	0	\$600,000
<u>Total Business Type Activities</u>	<u>0</u>	<u>600,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$600,000</u>
<u>Grand Total</u>	<u>\$ 992,505</u>	<u>\$ 5,821,340</u>	<u>\$ 234,196</u>	<u>\$ 400,000</u>	<u>\$ 406,147</u>	<u>\$ 7,854,188</u>

**CITY OF MAPLE HEIGHTS, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 21: CONTRACTUAL COMMITMENTS

At December 31, 2007, the City's significant contractual commitments consisted of:

<u>Project</u>	<u>Contractor</u>	Amount Remaining <u>On Contract</u>
2007 Pavement Maintenance	Burton Scott	\$274,675
Elimination of Dual Manholes	Northeast Ohio Trenching	<u>384,030</u>
		<u>\$658,705</u>

NOTE 22. SUBSEQUENT EVENTS

On July 1, 2008, the City issued general obligation bond anticipation notes in the amount of \$5,000,000 at a rate of 2.6 percent. The notes will mature June 30, 2009.

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the City Council
Maple Heights, Ohio

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Heights (the “City”) as of and for the year ended December 31, 2007, which collectively comprise the City’s basic financial statements and have issued our report thereon dated October 20, 2008, wherein we noted the City adopted *Government Accounting Standards Board Statements Nos. 43, 48 and 50*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City’s financial statements that is more than inconsequential will not be prevented or detected by the City’s internal control.

We consider the following deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting: 2007-001.

Members of the City Council
Maple Heights, Ohio

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City, in a separate letter dated October 20, 2008.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, City Council, finance committee, and the Auditor of State's Office and is not intended to be and should not be used by anyone other than these specified parties.

Cini & Panichi, Inc.

Cleveland, Ohio
October 20, 2008

City of Maple Heights

Schedule of Findings (Continued)

December 31, 2007

1. Summary of Auditors' Results

Type of Financial Statement Opinion	Unqualified
Were there any significant deficiencies reported at the financial statement level (GAGAS)?	Yes
Were there any other material weaknesses reported at the financial statement level (GAGAS)?	No
Was there any material noncompliance reported at the financial statement level (GAGAS)?	No

2. Findings Related To The Financial Statements Required To Be Reported In Accordance With GAGAS

2007-001 – Significant Deficiency

Sound financial reporting is the responsibility of the City Auditor and the City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

The following audit adjustment was made to the financial statements:

1. Adjusted accounts payable to actual.

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

We recommend the City adopts policies and procedures for controls over year-end financial reporting to help ensure the information accurately reflects the activity of the City thereby increasing the reliability of the financial data at year-end. The City's management needs to review the statements to be sure that all items are being properly recorded.

3. Other Findings

None.

City of Maple Heights

Schedule of Prior Audit Findings

December 31, 2007

Finding No.	Finding Summary	Fully Corrected	Explanation
06-1	<p>Ohio Rev. Code 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established.</p> <p>At December 31, 2006, the City's Northfield Road Improvement Capital Projects Fund had a deficit cash balance. This condition indicates that money from one fund is used to cover the expenses of another.</p>	Yes	The City has corrected this non-compliance in 2007.

City of Maple Heights

**4301 Maple Center Road
Maple Heights, Ohio 44128
(216) 587-6508**

Response to Findings Associated With
Audit Conducted In Accordance With
Government Auditing Standards
For The Year Ended December 31, 2007

Finding Number	Planned Correction Action	Anticipated Completion Date	Responsible Contact Person
2007-001	Management will create and implement written policies and procedures relating to the financial reporting process.	N/A	Tom Zammikiel, Finance Director



Mary Taylor, CPA
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
FEBRUARY 3, 2009**