



Dave Yost • Auditor of State

CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY

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2010

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INDEPENDENT ACCOUNTANTS' REPORT

City of Maple Heights
Cuyahoga County
5353 Lee Road
Maple Heights, Ohio 44137

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Heights, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, Cuyahoga County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the City restated its December 31, 2009 net assets of governmental type activities to properly record liabilities for accretion of interest on the City's capital appreciation bonds. The City also restated its December 31, 2009 fund balances of the General Fund and Municipal Income Tax fund due to a change in financial reporting of the Municipal Income Tax fund as cash activity within the General Fund instead of as a separate fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

October 5, 2011

City of Maple Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2010

The discussion and analysis of the City of Maple Heights' (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2010 are as follows:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$37,793,622. Of this amount, \$2,620,833 is considered unrestricted.
- The City's total net assets decreased in 2010. Net assets of governmental activities decreased \$920,240, which represents a 2.4 percent decrease from 2009. Net assets of business-type activities increased by \$298,675 in 2010.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$961,995. Approximately \$699,610 of the total fund balance is considered unreserved at December 31, 2010.
- The general fund reported a fund balance of \$(205,887) at the end of the current fiscal year. The unreserved fund balance for the General Fund is \$(330,207).

Using this Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements – Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets presents information on all the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decrease in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, in evaluating the overall position of the City, non-financial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

City of Maple Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2010

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities: most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Income tax, state and county taxes, licenses, permits and charges for services finance most of these activities.
- Business-type activities: the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's solid waste system and advertising banner activity are reported here.

Fund Financial Statements - Reporting the City's Most Significant Funds

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. 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 funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance 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. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

The City maintains 32 individual governmental funds. Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures, and changes in fund balances for the General Fund and Bond Retirement Fund.

City of Maple Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2010

Proprietary Funds

There are two different types of proprietary funds: enterprise funds and internal service 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 system and advertising banner activity. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City does not maintain any internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found starting on page 21 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources are not available to support the City's own programs. The fiduciary fund financial statements can be found starting on page 24 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found starting on page 25 of this report.

Government-wide Financial Analysis – The City as a Whole

As noted earlier, the Statement of Net Assets looks at the City as a whole and can prove to be a useful indicator of the City's financial position.

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

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning and End of Year

City of Maple Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2010

Table 1 provides a summary of the City's net assets for 2010 as compared to 2009.

Table 1 - Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009*	2010	2009	2010	2009*
Assets						
Current and Other Assets	\$ 15,252,797	\$ 15,981,702	\$ 844,882	\$ 543,805	\$ 16,097,679	\$ 16,525,507
Capital Assets	51,805,597	51,674,805	-	-	51,805,597	51,674,805
Total Assets	67,058,394	67,656,507	844,882	543,805	67,903,276	68,200,312
Liabilities						
Long-term Liabilities	22,672,425	22,052,554	-	-	22,672,425	22,052,554
Other Liabilities	7,309,644	7,607,388	127,585	125,183	7,437,229	7,732,571
Total Liabilities	29,982,069	29,659,942	127,585	125,183	30,109,654	29,785,125
Net Assets						
Invested in Capital Assets, Net of Related Debt	32,700,512	33,239,128	-	-	32,700,512	33,239,128
Restricted	2,472,277	3,801,246	-	-	2,472,277	3,801,246
Unrestricted	1,903,536	956,191	717,297	418,622	2,620,833	1,374,813
Total Net Assets	\$ 37,076,325	\$ 37,996,565	\$ 717,297	\$ 418,622	\$ 37,793,622	\$ 38,415,187

* Restated

Net assets may serve over time as a useful indicator of a government's financial position. For the City, total assets exceeded total liabilities by \$37,793,622 as of December 31, 2010. At the end of the current year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities.

The largest portion of the City's net assets (86.5 percent) reflects the investments in capital assets less any related debt to acquire those assets that is still outstanding. These capital assets are used to provide services to the City's citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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 the City's net assets may be used to meet the government's on-going obligations to citizens and creditors. It is important to note that the total unrestricted net assets is \$2,620,833; the net assets of the City's business-type activities may not be used to fund governmental activities.

Total assets for 2010 decreased \$297,036 or less than one percent when compared to 2009. The decrease in total assets was mainly due to a decrease in equity in pooled cash and cash equivalents. The City's total liabilities slightly increased \$324,529 from 2009 to 2010. This is primarily from issuance of \$12,922,911 various purpose and refunding bonds in 2010, reduced by annual debt service payments; therefore, total net assets decreased by \$621,565 from 2009 to 2010.

City of Maple Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2010

In order to further understand what makes up the changes in net assets for the current year, Table 2 provides further details regarding the results of activities for the current year.

Table 2 - Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009 *	2010	2009	2010	2009 *
Revenues						
Program Revenues:						
Charges for Services	\$ 3,966,037	\$ 4,276,175	\$ 1,850,896	\$ 1,640,143	\$ 5,816,933	\$ 5,916,318
Operating Grants and Contributions	997,859	860,239	-	-	997,859	860,239
Capital Grants and Contributions	2,752,829	690,546	-	-	2,752,829	690,546
General Revenues:						
Property Taxes	5,196,686	6,063,989	-	-	5,196,686	6,063,989
Income Taxes	6,960,229	6,987,287	-	-	6,960,229	6,987,287
Investment Earnings	964	79,029	-	-	964	79,029
Grants and Entitlements	3,082,022	3,465,938	-	-	3,082,022	3,465,938
Other	408,877	122,916	-	-	408,877	122,916
Total Revenues	23,365,503	22,546,119	1,850,896	1,640,143	25,216,399	24,186,262
Program Expenses						
Security of Persons and Property	11,356,371	11,167,808	-	-	11,356,371	11,167,808
Public Health Services	97,077	89,771	-	-	97,077	89,771
Leisure Time Activities	1,094,354	915,722	-	-	1,094,354	915,722
Community Development	1,528,090	1,130,262	-	-	1,528,090	1,130,262
Basic Utility Services	2,112,979	1,335,286	-	-	2,112,979	1,335,286
Transportation	1,636,337	1,143,473	-	-	1,636,337	1,143,473
General Government	5,782,854	7,680,805	-	-	5,782,854	7,680,805
Interest and Fiscal Charges	677,681	1,105,112	-	-	677,681	1,105,112
Solid Waste Collection	-	-	1,535,802	1,502,162	1,535,802	1,502,162
Recreation Banner	-	-	16,419	-	16,419	-
Total Program Expenses	24,285,743	24,568,239	1,552,221	1,502,162	25,837,964	26,070,401
Change in Net Assets	(920,240)	(2,022,120)	298,675	137,981	(621,565)	(1,884,139)
Net Assets, Beginning of Year, as Restated	37,996,565	40,018,685	418,622	280,641	38,415,187	40,299,326
Net Assets, End of Year	\$37,076,325	\$37,996,565	\$ 717,297	\$ 418,622	\$37,793,622	\$38,415,187

* Restated

Governmental Activities

Governmental activities decreased the City's net assets by \$920,240. The decrease in net assets was mostly attributable to expenses exceeding revenues in 2010. Several types of revenue fund our governmental activities, with the City income tax being the largest contributor. The income tax rate was 2.5 percent for 2010. 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 percent credit up to 2.5 percent for those who pay income tax to another city.

The income tax revenue for 2010 was \$6,960,229. Of the \$23,365,503 in total revenues, income tax accounts for 29.8 percent of that total. The slight decrease in income tax revenues from 2010 was less than one percent, mainly due to economic conditions. Property taxes of \$5,196,686 account for 22.2 percent of total revenues and operating grants and contributions, capital grants and contributions, general revenues from grant entitlements, and investment earnings account for 29.3 percent of total revenues and charges for services and other revenues make up the remaining 18.7 percent.

City of Maple Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2010

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

Expenses decreased by \$282,496 from 2009 which was mainly attributed to increases in Community Development, Basic Utility Services and Transportation, which was offset by decreases in the General Government and Interest and Fiscal Charges. The largest program function for the City relates to Security of Persons and Property. In 2010, 46.8 percent of program expenses for governmental activities were for Security of Persons and Property, which includes police, fire, jail, auxiliary police, school guards and safety dispatch. The next largest functions for expenses were General Government for 23.8 percent and Basic Utility Services, which accounted for 8.7 percent of the expenses in 2010.

Business-Type Activities

The Business-type activities increased the City's net assets by \$298,675.

Program revenue exceeded program expense in the amount of \$315,094 for the Solid Waste Collection operations for 2010. This is due to increased collections on refuse billings through special assessments charged by the Cuyahoga County Auditor's office.

The City's Funds

Governmental Funds

Information about the City's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$37,938,854 and total expenditures and other financing uses of \$39,505,643. The net change in fund balance for the year in the General Fund showed a decrease in fund balance of \$967,070. Overall, the City's revenue base along with fund balances continue to meet City obligations and reflects the current financial state of the City as a whole.

General Fund Budgeting Highlights

For the General Fund, final budget basis revenue, including other financing sources was \$1,131,656 under the original budget estimates of \$15,724,394. Original General Fund budgeted expenditures, including other financing uses, were \$15,888,116; amended budgeted expenditures were \$15,430,878. Actual General Fund expenditures, including other financing uses were \$15,428,040, \$2,838 less than budgeted, reflecting management's commitment in reducing costs in changing economic times.

The slight difference between the General Fund's final budgeted revenues and actual receipts is mainly due to actual intergovernmental receipts and fines, licenses and permits exceeding projections offset against actual property tax collections being lower than anticipated.

City of Maple Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2010

Business-Type Funds

The City's proprietary funds provide the same information found in the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for the Solid Waste Collection, and Recreation Banner funds. The proprietary fund financial statements can be found on page 21 through 23 of this report.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, the City had \$51,805,597 invested in land, buildings, equipment, vehicles, and infrastructure.

Table 3 shows fiscal year 2010 balances of Capital Assets as compared to 2009:

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

	Governmental Activities	
	2010	2009
Land	\$ 180,871	\$ 180,871
Construction-in-progress	1,589,212	3,846,035
Buildings	9,252,303	8,773,460
Equipment	1,420,905	1,257,774
Vehicles	4,965,627	5,480,772
Infrastructures:		
Roads	30,096,174	26,403,148
Traffic Signals	2,895,701	2,895,701
Storm Sewers	21,703,762	21,703,762
Sidewalks	1,424,833	1,424,833
Less: Accumulated Depreciation	(21,723,791)	(20,291,551)
Total Capital Assets	\$ 51,805,597	\$ 51,674,805

The City has an aggressive stance on maintaining its assets, including infrastructure, in excellent condition. Vehicles, such as trucks for snow plowing and police cruisers, are planned for well in advance by the respective department heads and a scheduled maintenance and replacement timetable is followed to provide peak performance for the maximum time frame. The older vehicles are generally traded in to the dealers when a new vehicle is purchased.

Capital assets for governmental activities increased \$130,792, mainly due to 2009 Asphalt repair program, the East 141st reconstruction, the 2009 Concrete repair program, Gerard Avenue reconstruction, major building repairs and upgrades to the city wide network technology.

More detailed information about the City's capital assets is presented in the notes to the basic financial statements.

City of Maple Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2010

Debt

At December 31, 2010, the City had \$18,733,045 in outstanding bonds, notes, and loans of which \$13,635,000 was in general obligation bonds. Table 4 summarizes the outstanding obligation of the City.

Table 4 - Outstanding Debt at December 31

	Governmental Activities	
	2010	2009*
General Obligation Bonds	\$13,635,000	\$5,200,000
Capital Appreciation Bonds	1,901,035	531,477
OWDA Loans	1,228,285	1,422,953
OPWC Loans	1,313,477	1,313,759
Long Term Notes	-	9,950,000
Capital Lease Payable	307,600	17,488
Accrued police and fire pension liability	347,648	355,612
Total Outstanding Debt	\$ 18,733,045	\$ 18,791,289

* Restated

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

The general obligation bonds are composed of 1998 Capital Purpose and Refunding, 2000 Capital Purpose Bonds, 2004 Various Purpose Bonds, and 2010 Various Purpose and Refunding Bonds. The OWDA and OPWC loans are reported with governmental activities with some of the debt costs paid from revenues collected from storm sewer charges. The OPWC loan for the East 141st Street and Maple Heights improvement is pending upon completion of the project in 2010. As of December 31, 2010, \$333,013 of the original projected loan of \$355,420 has been received by the City.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10.5 percent of total assessed valuation. The City's net legal debt margin within the 10.5 percent limit was \$26,359,291 at December 31, 2010.

More detailed information about the City's long-term liabilities is presented in the notes to the basic financial statements.

Current Related Financial Activities

During the 2010 fiscal year, the City issued \$12,922,911 in Bonds to refinance the 1998 and 2000 bonds, and the 2009 notes. The interest rate on this issue was 2 percent-4.87 percent, with a True Interest Cost of 4.18 percent. The City structured this new issue to spread out its current debt burden over the proceeding 20 years, with an average payment of \$1.25 million per year. Spreading the city's debt burden over this time frame ensures that at no time will the dept payments damage the ability of the City to provide its current services to residents.

City of Maple Heights, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2010

Continuing the trend started in 2009, the City was adversely affected by current economic conditions. Assessed Property values decreased by .5 percent for the 2010 tax year, following an 8 percent decrease in 2009. Income Tax collections on a cash basis decreased by \$208,000 in 2010, mostly due to Individual and Net Profit declines. To offset declines in revenue and declines in fund balances, the City is taking a proactive approach in cutting expenditures. In 2010, the City laid off 6 part time and full time workers, eliminated pension pick-up for all non-union personnel, converted the city's phone software to utilize the City's network upgrades, eliminated overtime for all non-emergency personnel, and analyzed all department expenditures to eliminate unneeded expenses. In 2011, the City is also planning on closing the long-term jail facility, analyzing the City provided health insurance coverage, and having additional staff reductions.

Contacting the City of Maple Heights' Finance Department

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

Basic Financial Statements

City of Maple Heights, Ohio

Statement of Net Assets

December 31, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 1,723,164	\$ 99,581	\$ 1,822,745
Materials and Supplies Inventory	95,942	-	95,942
Accounts Receivable	350,104	-	350,104
Intergovernmental Receivable	3,219,598	-	3,219,598
Prepaid Items	84,373	-	84,373
Income Taxes Receivable	3,239,769	-	3,239,769
Property Taxes Receivable	5,840,855	-	5,840,855
Special Assessments Receivable	440,869	745,301	1,186,170
Deferred Charges	258,123	-	258,123
Nondepreciable Capital Assets	1,770,083	-	1,770,083
Depreciable Capital Assets	50,035,514	-	50,035,514
Total Assets	<u>67,058,394</u>	<u>844,882</u>	<u>67,903,276</u>
LIABILITIES			
Accounts Payable	517,500	127,585	645,085
Accrued Wages and Benefits	233,784	-	233,784
Intergovernmental Payable	1,184,688	-	1,184,688
Matured Compensated Absences Payable	131,478	-	131,478
Accrued Interest Payable	101,038	-	101,038
Claims Payable	352,441	-	352,441
Deferred Revenue	4,788,715	-	4,788,715
Long-term Liabilities:			-
Due within one year	1,778,306	-	1,778,306
Due in more than one year	20,894,119	-	20,894,119
Total Liabilities	<u>29,982,069</u>	<u>127,585</u>	<u>30,109,654</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	32,700,512	-	32,700,512
Restricted for:			
Capital Projects	820,658	-	820,658
Debt Service	147,473	-	147,473
Sewer Maintenance	556,109	-	556,109
Street Lighting	268,401	-	268,401
Streets and Highway	244,446	-	244,446
Other Purposes	435,190	-	435,190
Unrestricted	1,903,536	717,297	2,620,833
Total Net Assets	<u>\$ 37,076,325</u>	<u>\$ 717,297</u>	<u>\$ 37,793,622</u>

The notes to the basic financial statements are an integral part of this statement.

City of Maple Heights, Ohio

Statement of Activities

December 31, 2010

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
Security of Persons and Property	\$ 11,356,371	\$ 1,046,452	\$ 45,295	\$ -
Public Health and Welfare	97,077	575,696	-	-
Leisure Time Activities	1,094,354	57,304	123,026	-
Community Development	1,528,090	1,148,889	-	923,241
Basic Utility Services	2,112,979	208,323	-	635,282
Transportation	1,636,337	87,453	829,538	-
General Government	5,782,854	841,920	-	1,194,306
Interest and Fiscal Charges	677,681	-	-	-
Total Governmental activities	<u>24,285,743</u>	<u>3,966,037</u>	<u>997,859</u>	<u>2,752,829</u>
Business-type activities:				
Solid Waste Collection	1,535,802	1,850,896	-	-
Recreation Banner	16,419	-	-	-
Total Business-type activities	<u>1,552,221</u>	<u>1,850,896</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 25,837,964</u>	<u>\$ 5,816,933</u>	<u>\$ 997,859</u>	<u>\$ 2,752,829</u>

General Revenues:

- Property Taxes levied for:
 - General Purposes
 - Debt Service Purpose
 - Other Purposes
- Income Taxes levied for:
 - Other Purposes
- Grants & Entitlements not restricted to specific programs
- Investment Income
- All Other Revenues
- Total General Revenues
- Change in Net Assets

Net Assets - Beginning of Year, as Restated

Net Assets - End of Year

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (10,264,624)	\$ -	\$ (10,264,624)
478,619	-	478,619
(914,024)	-	(914,024)
544,040	-	544,040
(1,269,374)	-	(1,269,374)
(719,346)	-	(719,346)
(3,746,628)	-	(3,746,628)
(677,681)	-	(677,681)
<u>(16,569,018)</u>	<u>-</u>	<u>(16,569,018)</u>
-	315,094	315,094
-	(16,419)	(16,419)
-	298,675	298,675
<u>(16,569,018)</u>	<u>298,675</u>	<u>(16,270,343)</u>
2,397,863	-	2,397,863
920,539	-	920,539
1,878,284	-	1,878,284
6,960,229	-	6,960,229
3,082,022	-	3,082,022
964	-	964
408,877	-	408,877
<u>15,648,778</u>	<u>-</u>	<u>15,648,778</u>
(920,240)	298,675	(621,565)
<u>37,996,565</u>	<u>418,622</u>	<u>38,415,187</u>
<u>\$ 37,076,325</u>	<u>\$ 717,297</u>	<u>\$ 37,793,622</u>

City of Maple Heights, Ohio
Balance Sheet – Governmental Funds
December 31, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$ 99,143	\$ -	\$ 1,624,021	\$ 1,723,164
Materials and Supplies Inventory	28,839	-	67,103	95,942
Accounts Receivable	-	-	350,104	350,104
Interfund Receivable	58,406	-	63,466	121,872
Intergovernmental Receivable	1,133,650	70,961	2,014,987	3,219,598
Prepaid Items	79,195	-	5,178	84,373
Income Taxes Receivable	3,239,769	-	-	3,239,769
Property Taxes Receivable	2,753,619	978,880	2,108,356	5,840,855
Special Assessments Receivable	440,869	-	-	440,869
Total Assets	<u>\$ 7,833,490</u>	<u>\$1,049,841</u>	<u>\$ 6,233,215</u>	<u>\$ 15,116,546</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 121,415	\$ -	\$ 396,085	\$ 517,500
Accrued Wages	177,226	-	56,558	233,784
Intergovernmental Payable	436,783	-	747,905	1,184,688
Matured Compensated Absences Payable	77,654	-	53,824	131,478
Interfund Payable	63,466	-	58,406	121,872
Claims Payable	352,441	-	-	352,441
Deferred Revenue	6,810,392	1,049,841	3,752,555	11,612,788
Total Liabilities	<u>8,039,377</u>	<u>1,049,841</u>	<u>5,065,333</u>	<u>14,154,551</u>
Fund Balances:				
Reserved for:				
Encumbrances	16,286	-	65,784	82,070
Inventory	28,839	-	67,103	95,942
Prepaid Items	79,195	-	5,178	84,373
Undesignated, Reported in:				
General Fund	(330,207)	-	-	(330,207)
Special Revenue Funds	-	-	623,192	623,192
Capital Projects Funds	-	-	406,625	406,625
Total Fund Balances	<u>(205,887)</u>	<u>-</u>	<u>1,167,882</u>	<u>961,995</u>
Total Liabilities and Fund Balances	<u>\$ 7,833,490</u>	<u>\$1,049,841</u>	<u>\$ 6,233,215</u>	<u>\$ 15,116,546</u>

The notes to the basic financial statements are an integral part of this statement.

City of Maple Heights, Ohio
Reconciliation of Total Governmental Funds
To Net Assets of Governmental Activities

December 31, 2010

Total Governmental Fund Balances \$ 961,995

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 51,805,597

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

Property taxes	1,046,917	
Income taxes	2,722,103	
Special assessments	440,869	
Intergovernmental	1,962,767	
Charges for services	209,521	
Water Use	441,896	
Total		6,824,073

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due. (101,038)

Bond issuance costs on general obligation bonds will be amortized over the life of the bonds on the statement of net assets. 258,123

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(13,635,000)	
Capital appreciation bonds	(1,901,035)	
OWDA loans	(1,228,285)	
OPWC loans	(1,313,477)	
Capital leases	(307,600)	
Police and Fire pension liability	(347,648)	
Compensated absences	(2,963,507)	
Accretion on bonds	(256,185)	
Premium on bonds	(768,796)	
Deferred amount on refunding	49,108	
Total		(22,672,425)

Net Assets of Governmental Activities \$ 37,076,325

The notes to the basic financial statements are an integral part of this statement.

City of Maple Heights, Ohio

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Year Ended December 31, 2010

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ 2,497,770	\$ 890,373	\$ 1,917,728	\$ 5,305,871
Income Taxes	6,659,281	-	-	6,659,281
Other Taxes	5,223	-	-	5,223
Intergovernmental	2,536,337	169,962	3,603,244	6,309,543
Interest	964	-	-	964
Fines, Licenses and Permits	1,601,663	-	382,482	1,984,145
Charges for Services	519,095	-	1,114,919	1,634,014
Special Assessments	182,212	-	-	182,212
All Other Revenues	257,919	-	132,092	390,011
Total Revenues	<u>14,260,464</u>	<u>1,060,335</u>	<u>7,150,465</u>	<u>22,471,264</u>
EXPENDITURES				
Security of Persons and Property	6,710,525	-	3,819,175	10,529,700
Public Health	97,077	-	-	97,077
Leisure Time Activities	648,419	-	392,227	1,040,646
Community Development	757,178	-	650,442	1,407,620
Basic Utility Service	902,843	-	87,853	990,696
Transportation	-	-	1,248,661	1,248,661
General Government	5,190,354	19,089	567,403	5,776,846
Capital Outlay	16,629	-	2,473,919	2,490,548
Debt Service:				
Principal Retirement	8,817	10,753,800	208,193	10,970,810
Interest and Fiscal Charges	744	808,590	72,745	882,079
Bond Issuance Costs	-	208,678	-	208,678
Total Expenditures	<u>14,332,586</u>	<u>11,790,157</u>	<u>9,520,618</u>	<u>35,643,361</u>
Excess of Revenues Over (Under) Expenditures	<u>(72,122)</u>	<u>(10,729,822)</u>	<u>(2,370,153)</u>	<u>(13,172,097)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Inception of Capital Lease	-	-	304,490	304,490
General Obligation Refunding Bonds Issued	-	12,292,911	630,000	12,922,911
OPWC Loans Issued	-	-	80,165	80,165
General Obligation Refunding Bonds Premium	-	745,712	-	745,712
Payment to Refunded Bond Escrow Agent	-	(2,447,970)	-	(2,447,970)
Transfer In	216,121	134,471	1,063,720	1,414,312
Transfer Out	(1,111,069)	-	(303,243)	(1,414,312)
Total Other Financing Sources (Uses)	<u>(894,948)</u>	<u>10,725,124</u>	<u>1,775,132</u>	<u>11,605,308</u>
Net Change in Fund Balances	(967,070)	(4,698)	(595,021)	(1,566,789)
Fund Balances - Beginning of Year, Restated	761,183	4,698	1,762,903	2,528,784
Fund Balances - End of Year	<u>\$ (205,887)</u>	<u>\$ -</u>	<u>\$ 1,167,882</u>	<u>\$ 961,995</u>

The notes to the basic financial statements are an integral part of this statement.

City of Maple Heights, Ohio

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (1,566,789)

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

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

Capital Outlay	2,394,844	
Depreciation	(2,141,729)	
Total		253,115

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. (122,323)

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

Property taxes	(109,185)	
Income taxes	300,948	
Special assessments	(147,368)	
Intergovernmental	631,506	
Charges for services	66,235	
Water use	152,103	
Total		894,239

Repayment of bond, note and capital lease principal are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 13,365,810

Proceeds from debt issuances, reported as an other financing source, provide current financial resources to Governmental funds, but increases long-term liabilities in the statement of net assets. (13,307,566)

In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in Governmental funds a bond issuance cost expenditure is reported when bonds are issued. 200,229

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	(157,060)	
Accrued interest on bonds	41,160	
Annual accretion on bonds	146,094	
Amortization of bond premium	(716,257)	
Amortization of loss on refunding	49,108	
Total		(636,955)

Change in Net Assets of Governmental Activities \$ (920,240)

The notes to the basic financial statements are an integral part of this statement.

City of Maple Heights, Ohio

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual – General Fund For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Municipal Income Taxes	\$ 7,330,000	\$ 6,629,538	\$ 6,629,537	\$ (1)
Property Taxes	2,653,161	2,653,161	2,497,770	(155,391)
Intergovernmental	3,138,313	2,600,000	2,665,693	65,693
Charges for Services	655,000	520,000	526,734	6,734
Fines, Licenses and Permits	1,287,920	1,540,000	1,601,663	61,663
Special Assessments	200,000	180,000	182,212	2,212
Interest Income	20,000	900	964	64
Other	240,000	255,458	257,919	2,461
Total Revenues	<u>15,524,394</u>	<u>14,379,057</u>	<u>14,362,492</u>	<u>(16,565)</u>
EXPENDITURES				
Current:				
Security of Persons and Property	7,241,764	6,726,427	6,727,510	(1,083)
Public Health Services	95,000	97,077	97,077	-
Leisure Time Activities	964,650	652,398	649,311	3,087
Community Development	789,700	768,580	761,216	7,364
Public Works	853,600	845,757	846,379	(622)
General Government	4,678,841	5,220,009	5,225,917	(5,908)
Debt Service				
Principal	8,817	8,817	8,817	-
Interest & Fiscal Charges	744	744	744	-
Total Expenditures	<u>14,633,116</u>	<u>14,319,809</u>	<u>14,316,971</u>	<u>2,838</u>
Excess of Revenues Over (Under) Expenditures	891,278	59,248	45,521	(13,727)
OTHER FINANCING SOURCES (USES)				
Transfer In	200,000	213,681	216,121	2,440
Transfers Out	(1,255,000)	(1,111,069)	(1,111,069)	-
Total Other Financing Sources (Uses)	<u>(1,055,000)</u>	<u>(897,388)</u>	<u>(894,948)</u>	<u>2,440</u>
Net Change in Fund Balance	(163,722)	(838,140)	(849,427)	(11,287)
Fund Balance - Beginning of Year	952,324	952,324	952,324	-
Prior Year Encumbrances Appropriated	33,896	33,896	33,896	-
Fund Balance - End of Year	<u>\$ 822,498</u>	<u>\$ 148,080</u>	<u>\$ 136,793</u>	<u>\$ (11,287)</u>

The notes to the basic financial statements are an integral part of this statement.

City of Maple Heights, Ohio

**Statement of Fund Net Assets –
Proprietary Funds**

December 31, 2010

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Solid</u>	<u>Recreation</u>	<u>Total</u>
	<u>Waste</u>	<u>Banner</u>	
	<u>Collection</u>	<u>Banner</u>	
ASSETS			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 99,580	\$ 1	\$ 99,581
Special Assessments Receivable	745,301	-	745,301
Total Assets	<u>844,881</u>	<u>1</u>	<u>844,882</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	127,585	-	127,585
Total Liabilities	<u>127,585</u>	<u>-</u>	<u>127,585</u>
NET ASSETS			
Unrestricted	717,296	1	717,297
Total Net Assets	<u>\$ 717,296</u>	<u>\$ 1</u>	<u>\$ 717,297</u>

The notes to the basic financial statements are an integral part of this statement.

City of Maple Heights, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Assets –
Proprietary Funds

For the Year Ended December 31, 2010

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Solid Waste Collection</u>	<u>Recreation Banner</u>	<u>Total</u>
OPERATING REVENUES			
Charges for Services	\$ 1,850,896	\$ -	\$ 1,850,896
Total Operating Revenues	<u>1,850,896</u>	<u>-</u>	<u>1,850,896</u>
OPERATING EXPENSES			
Contractual Services	1,535,802	-	1,535,802
Materials and Supplies	-	16,419	16,419
Total Operating Expense	<u>1,535,802</u>	<u>16,419</u>	<u>1,552,221</u>
Change in Net Assets	315,094	(16,419)	298,675
Net Assets - Beginning of Year	402,202	16,420	418,622
Net Assets - End of Year	<u>\$ 717,296</u>	<u>\$ 1</u>	<u>\$ 717,297</u>

The notes to the basic financial statements are an integral part of this statement.

City of Maple Heights, Ohio

Statement of Cash Flows – Proprietary Funds

For the Year Ended December 31, 2010

	Business-Type Activities - Enterprise Funds		
	Solid Waste Collection	Recreation Banner	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 1,526,675	\$ -	\$ 1,526,675
Cash Payments for Goods and Services	(1,533,400)	(16,419)	(1,549,819)
Net Cash Used by Operating Activities	(6,725)	(16,419)	(23,144)
Cash and Cash Equivalents - Beginning of Year	106,305	16,420	122,725
Cash and Cash Equivalents - End of Year	\$ 99,580	\$ 1	\$ 99,581
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 315,094	\$ (16,419)	\$ 298,675
(Increase) Decrease in Assets:			
Accounts Receivable	(324,221)	-	(324,221)
Increase (Decrease) in Liabilities:			
Accounts Payable	2,471	-	2,471
Intergovernmental Payable	(69)	-	(69)
Net Cash Used by Operating Activities	\$ (6,725)	\$ (16,419)	\$ (23,144)

The notes to the basic financial statements are an integral part of this statement.

City of Maple Heights, Ohio
Statement of Fiduciary Assets and Liabilities –
Fiduciary Funds

December 31, 2010

	Agency Funds
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$1,264,674
Cash and Cash Equivalents:	
in Segregated Accounts	21,435
Total Assets	\$1,286,109
 LIABILITIES	
Intergovernmental Payable	\$ 34,510
Deposits Held and Due to Others	1,251,599
Total Liabilities	\$1,286,109

The notes to the basic financial statements are an integral part of this statement.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 1: **THE REPORTING ENTITY**

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

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, 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; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial 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 City has elected not to apply FASB codification, pronouncements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The most 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.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

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

A. Basis of Presentation (Continued)

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 activities.

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-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues 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 function or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

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.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

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

B. Fund Accounting (Continued)

Governmental Funds - Governmental funds are those through which most governmental functions typically 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 balance of the General Fund is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

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

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

Recreation Banner Fund – The Recreation Banner Fund accounts for revenues from sales of advertising banners at City parks.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

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

B. Fund Accounting (Continued)

Fiduciary Funds - Fiduciary fund reporting focuses on 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 custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for deposits held for contractors and developers.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets, except for fiduciary funds. 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 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 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 the presentation of expenses versus expenditures.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

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

D. Basis of Accounting (Continued)

Revenues – Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned.

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, have been recorded as deferred revenue. Grants and entitlements not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred 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.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances. Council appropriations are made to personal 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. personal 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.

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.

F. 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. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the balance sheet.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

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

F. Cash and Cash Equivalents (Continued)

Investments are reported at fair value, which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's share price.

The City complies with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. As a governmental entity other than an external investment pool in accordance with GASB 31, the City's investments are stated at fair value, except for interest-earning investment contracts, money market investments, and external investment pools (see Note 5).

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of December 31, 2010:

The portfolio was limited to nonparticipating interest-earning investment contracts and State Treasury Asset Reserve of Ohio (STAR Ohio). Most of the City's investments are reported at fair value, which is the quoted market price as of the valuation date. For investments in STAR Ohio, fair value is determined by the pool's share price. Exceptions to the fair value requirement include money market investments.

Money market investments, including U.S. Treasury and agency obligations that had a remaining maturity of one year or less at the time of purchase by the City, are reported at amortized cost.

Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss exceeding the cumulative value of those investments are subject to GASB Statement No. 31. The gain/loss resulting from valuation will be reported within the investment earnings account on the Statement of Activities. The City's policy is to hold investments until market values equal or exceed cost.

During 2010, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), STAR Ohio is an investment pool managed by the State Treasurer's Office. STAR Ohio allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2010.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2010 amounted to \$964.

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

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

G. Inventory

Inventories are stated at cost, on the first-in, first-out basis. At December 31, 2010, the General Fund and Street Construction, Maintenance, and Repair non-major special revenue fund maintained the only significant inventory. The costs of governmental fund type inventories are recorded as expenditures in the fund when purchased. The reserve for inventory indicates that a portion of the fund balance is not available for future expenditures. For proprietary funds, inventory is expended when consumed.

H. Prepays

Payments made to vendors for services that will benefit periods beyond December 31, 2010 are recorded as prepaid items using the allocation method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year which it was consumed.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These 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. The City's infrastructure consists of curbs, sidewalks, storm sewers, streets, irrigation systems and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of 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 2010, infrastructure capital assets were calculated without the City's water mains. The infrastructure assets will be completed in 2011 with inclusion of this item to the capital assets.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

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

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.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the 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. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration any limits specified in the City’s termination policy. The entire compensated absence liability is reported on the government-wide financial statements.

L. 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 and compensated absences 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 and long-term loans are recognized as a liability on the fund financial statements when due.

M. 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, inventories, and prepaids.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

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

N. 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 the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide Statement of Net Assets reports \$2,472,277 of restricted net assets, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for police services, fire services, ambulance and grants.

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

O. 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. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this description are reported as non-operating.

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. None in 2010.

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

R. 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 of transaction occurred during 2010.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

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

S. **Estimates**

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

NOTE 3: **CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR PERIOD'S NET ASSETS AND FUND BALANCES**

A. **Changes in Accounting Principles**

For 2010, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

GASB Statement No. 51 establishes accounting and financial reporting of such assets to reduce inconsistencies, thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 53 establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

The implementation of GASB Statement No. 51, 53 and 58 did not affect the presentation of the financial statements to the City.

B. **Restatement of Prior Period's Net Assets**

A restatement of prior period's governmental activities' net assets was necessary to properly record liabilities for accretion of interest on the City's capital appreciation bonds. The restatement is as follows:

	Governmental
	<u>Activities</u>
Net Assets as of December 31, 2009	\$ 38,398,844
Restatement:	
Accretion of Interest on Capital Appreciation Bonds	<u>(402,279)</u>
Net Assets as of December 31, 2009, as Restated	<u>\$ 37,996,565</u>

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 3: **CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR PERIOD'S NET ASSETS AND FUND BALANCES** (Continued)

C. Restatement of Prior Period's Fund Balances

The Restatement of the General Fund and Municipal Income Tax fund is due to a change in financial reporting of recording the Municipal Income Tax fund as cash activity with the General Fund instead as a separate fund. The restatement is as follows:

	<u>General</u>	<u>Municipal Income Tax</u>
Fund Balance, December 31, 2009	\$ 336,727	\$ 424,456
Restatement:		
Accounts Receivable	11,182	(11,182)
Income Tax Receivable	2,897,895	(2,897,895)
Interfund Payable	(63,466)	63,466
Deferred Revenue	(2,421,155)	2,421,155
Fund Balance, December 31 2009, Restated	<u>\$ 761,183</u>	<u>\$ -</u>

NOTE 4: **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 and disbursements.

The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are identified as follows:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures/Expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental Funds, and note disclosure for Proprietary Funds (GAAP basis).

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 4: **BUDGETARY BASIS OF ACCOUNTING** (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Municipal Income Tax Fund.

	<u>General</u>
GAAP Basis	\$ (967,070)
Revenue Accruals	102,028
Expenditure Accruals	36,371
Encumbrances (Budget Basis) outstanding at year end	<u>(20,756)</u>
Budget Basis	<u>\$ (849,427)</u>

NOTE 5: **DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the City into three categories.

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

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 which 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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;

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

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,
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless 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.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either within the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred and five percent of the deposits being secured.

At year-end, the carrying amount of the City's deposits was \$3,097,545 and the bank balance was \$3,276,588, of which \$1,000,000 was covered by Federal depository insurance. At December 31, 2010, the City had \$3,000 in undeposited cash on hand, which is included as part of "equity in pooled cash and investments".

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

Investments

Investments are reported at fair value. As of December 31, 2010, the City had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>
STAR Ohio	<u>\$ 8,309</u>	<u>\$ 8,309</u>

Interest Rate Risk

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 investment policy also limits security purchases to those that mature within two years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than one year.

Custodial Risk

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 institutions 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

Credit risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the 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

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 and indicates that no more than 20 percent of available funds are to be invested in individual U.S. Government Securities.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 6: RECEIVABLES

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the state statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable the following June 20.

Tangible personal property tax revenue received in calendar year 2010 (other than public utility property tax) represents the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009.

Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

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.

The full tax rate for all City operations for the year ended December 31, 2010, was \$15.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

<u>Property Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Real Estate	\$391,110,970	98.02 %
Public Utility	<u>7,892,130</u>	<u>1.98</u>
Total	<u>\$399,003,100</u>	<u>100.00 %</u>

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 6: **RECEIVABLES** (Continued)

B. **Income Taxes**

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 tax 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 100 percent credit on the income tax rate 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.

C. **Intergovernmental Receivables**

<u>Revenue Description</u>	<u>Amount</u>
Local Government	\$ 740,105
Homestead and Rollback	393,638
Public Utility Tax	31,669
Gasoline and Auto Registration tax	396,560
Estate tax	14,634
Permissive tax	9,531
CAT tax reimbursement	68,593
Water use fees	573,806
Prisoner housing reimbursements	34,894
Grants	907,251
Court Costs	30,051
Miscellaneous	18,866
Total	<u>\$ 3,219,598</u>

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 7: CAPITAL ASSETS

	Balance 12/31/2009	Additions	Deletions	Balance 12/31/2010
<u>Governmental Activities</u>				
Capital Assets, not being depreciated:				
Land	\$ 180,871	\$ -	\$ -	\$ 180,871
Construction in progress	3,846,035	1,782,277	(4,039,100)	1,589,212
Total non-depreciable assets	4,026,906	1,782,277	(4,039,100)	1,770,083
Capital Assets, being depreciated:				
Buildings	8,773,460	478,843	-	9,252,303
Equipment	1,257,774	163,131	-	1,420,905
Vehicles	5,480,772	316,667	(831,812)	4,965,627
Infrastructure:				
Roads	26,403,148	3,693,026	-	30,096,174
Traffic Signals	2,895,701	-	-	2,895,701
Storm Sewers	21,703,762	-	-	21,703,762
Sidewalks	1,424,833	-	-	1,424,833
Total Capital Assets, being depreciated	67,939,450	4,651,667	(831,812)	71,759,305
Less Accumulated depreciation:				
Buildings	(3,905,761)	(311,872)	-	(4,217,633)
Equipment	(497,641)	(129,520)	-	(627,161)
Vehicles	(2,715,882)	(528,572)	709,489	(2,534,965)
Infrastructure:				
Roads	(7,230,764)	(701,976)	-	(7,932,740)
Traffic Signals	(1,271,856)	(144,785)	-	(1,416,641)
Storm Sewers	(4,230,662)	(289,383)	-	(4,520,045)
Sidewalks	(438,985)	(35,621)	-	(474,606)
Total Accumulated depreciation	(20,291,551)	(2,141,729)	709,489	(21,723,791)
Total Capital Assets being depreciated, net	47,647,899	2,509,938	(122,323)	50,035,514
Governmental Activities Capital Assets, net	\$ 51,674,805	\$ 4,292,215	\$ (4,161,423)	\$ 51,805,597

Depreciation expense was charged to governmental activities as follows:

Security of Persons and Property	\$ 583,890
Transportation	882,381
General Government	65,682
Leisure Time Activities	95,177
Public Works	514,599
	\$ 2,141,729

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 8: NOTE DEBT

Note debt activity for the year ended December 31, 2010, consisted of the following:

	<u>Balances</u> 12/31/2009	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 12/31/2010
1.36% 2009 Various Equipment and Improvements, maturing 7/1/2010	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -
1.36% 2009 Street Improvements, maturing 7/1/2010	3,400,000	-	3,400,000	-
1.36% 2009 City Hall Improvements, maturing 7/1/2010	1,000,000	-	1,000,000	-
1.33% 2009 Vehicles, maturing 7/1/2010	550,000	-	550,000	-
Total long-term notes	<u>\$ 9,950,000</u>	<u>\$ -</u>	<u>\$ 9,950,000</u>	<u>\$ -</u>

By Ohio law, notes can be issued in anticipation of bond proceeds and levies. All notes are backed by the full faith and credit of the City.

There are also limitations on the number of times notes can be renewed. The long-term notes were retired during 2010, with the issuance of 2010 various purposes general obligation bonds.

NOTE 9: LONG-TERM OBLIGATIONS

The original issue date, interest rates and original issuance amount for each of the City's bonds and long-term notes follow:

<u>Debt Issue</u>	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
General Obligation Bonds			
Capital Purpose and Refunding	1998	3.75%-5.00%	\$ 3,770,000
Capital Appreciation Bonds	1998	4.65%-4.95%	1,787,480
Capital Purpose Bonds	2000	4.70%-5.25%	2,995,000
General Obligation Various Purpose	2004	2.00%-5.25%	4,110,000
General Obligation Various Purpose	2010	2.00%-4.25%	11,275,000
Capital Appreciation Bonds	2010	7.25%-7.50%	1,647,911
OWDA Loan			
Kenyon/Gardenview Sewer Improvement	1996	4.16%	2,515,205
Phase I Sewer Improvement	1996	4.35%	765,161
Phase II Sewer Improvement	1997	4.04%	110,426
OPWC Loan			
Maplewood/Northwood Sewers Improvements	1994	0%	686,898
Southgate Park/Lee Road South Improvements	1997	0%	185,649
Industrial Avenue/E. 141st Improvement	2003	0%	556,403
Northfield Road Improvements	2005	0%	360,000
East 141st Street and Maple Heights Improvements	2009	0%	252,845 *

* Amount will change upon completion of project

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2010 was as follows:

	Restated Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010	Due in One Year
Governmental Activities:					
General Obligations Bonds					
Capital Purpose and Refunding, due 2017	\$ 535,000	\$ -	\$ (535,000)	\$ -	\$ -
Capital Appreciation Bonds, due 2011	531,477	-	(278,353)	253,124	253,124
Accretion on Bonds	402,279	44,629	(231,647)	215,261	-
Capital Purpose Bonds, due 2020	2,000,000	-	(2,000,000)	-	-
Various Purpose Bonds, due 2018	2,665,000	-	(305,000)	2,360,000	310,000
Unamortized Premium	52,539	-	(7,705)	44,834	-
Various Purpose and Refunding, due 2030	-	11,275,000	-	11,275,000	85,000
Capital Appreciation Bonds, due 2024	-	1,647,911	-	1,647,911	-
Accretion of Bonds	-	40,924	-	40,924	-
Unamortized Premium	-	745,712	(21,750)	723,962	-
Deferred Amount of Refunding	-	(52,970)	3,862	(49,108)	-
Total General Obligation Bonds	<u>6,186,295</u>	<u>13,701,206</u>	<u>(3,375,593)</u>	<u>16,511,908</u>	<u>648,124</u>
OWDA Loans:					
Kenyon/Gardenview Sewer, due 2016	1,052,564	-	(144,177)	908,387	150,238
Phase I Sewer, due 2016	323,503	-	(44,075)	279,428	46,013
Phase II Sewer, due 2016	46,886	-	(6,416)	40,470	6,677
Total OWDA Loans	<u>1,422,953</u>	<u>-</u>	<u>(194,668)</u>	<u>1,228,285</u>	<u>202,928</u>
OPWC Loans:					
Maplewood/Northwood Sewers, due 2016	223,242	-	(34,345)	188,897	34,345
Southgate Park/Lee Road South, due 2019	88,187	-	(9,282)	78,905	9,282
Industrial Avenue/E. 141, due 2023	389,482	-	(27,820)	361,662	27,820
Northfield Road, due 2030	360,000	-	(9,000)	351,000	9,000
East 141st Street and Maple Heights	252,848	80,165	-	333,013	17,772
Total OPWC Loans	<u>1,313,759</u>	<u>80,165</u>	<u>(80,447)</u>	<u>1,313,477</u>	<u>98,219</u>
Other long-term obligations:					
Capital leases payable	17,488	304,490	(14,378)	307,600	65,614
Long-term notes payable	9,950,000	-	(9,950,000)	-	-
Accrued compensated absences	2,806,447	288,538	(131,478)	2,963,507	755,142
Accrued police and fire pension liability	355,612	-	(7,964)	347,648	8,279
Total other long-term obligations	<u>13,129,547</u>	<u>593,028</u>	<u>(10,103,820)</u>	<u>3,618,755</u>	<u>829,035</u>
Total Governmental Long-term Liabilities	<u>\$ 22,052,554</u>	<u>\$ 14,374,399</u>	<u>\$ (13,754,528)</u>	<u>\$ 22,672,425</u>	<u>\$ 1,778,306</u>

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

General Obligation Bonds will be paid from the Bond Retirement Debt Service Fund. The accrued police and fire pension liability will be paid from levied taxes in the Police Pension Fund and Fire Pension Special Revenue Funds. Compensated absences will be paid from the fund which the employees' salaries are paid Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) loans will be paid from sewer user charges, which are paid from the Sewer Maintenance Special Revenue Fund and Bond Retirement Fund Debt Service Fund. See Note 10 for further detail on capital leases.

On June 23, 2010, the City issued \$12,922,911 in general obligations bonds to partially refund the 1998 Capital Purpose and Refunding Bond \$(535,000), refund the 2000 Capital Purpose Bond \$(1,860,000), and to pay the costs of various other improvements within the City \$(10,577,911). The bonds will be retired through Bond Retirement Fund.

The OPWC loan for the East 141st Street and Maple Heights Improvements is pending upon completion of the project in 2011. As of December 31, 2010, \$333,013 of the original projected loan of \$355,420 has been received.

In prior years, the City 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. The refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the City's government-wide financial statements. As of December 31, 2010, the amount of defeased debt outstanding but removed from the financial statements amounted to \$715,000.

The City's overall legal debt margin was \$26,359,291 at December 31, 2010.

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2010 were as follows:

Year	Governmental Activities				
	General Obligation Bonds		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2011	\$ 648,124	\$ 788,940	\$ 98,219	\$ 202,928	\$ 49,463
2012	425,000	539,824	107,219	211,539	40,852
2013	435,000	526,131	107,219	220,515	31,876
2014	710,000	511,394	107,219	229,873	22,518
2015	725,000	489,894	107,219	239,833	12,764
2016-2020	4,035,000	1,943,881	343,645	123,597	2,597
2021-2025	2,687,911	3,939,558	262,316	-	-
2026-2030	5,870,000	758,275	180,421	-	-
2031-2035	-	-	-	-	-
	\$ 15,536,035	\$ 9,497,897	\$ 1,313,477	\$ 1,228,285	\$ 160,070

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 9: **LONG-TERM OBLIGATIONS** (Continued)

Year	Governmental Activities			
	Accrued Police and Fire Pension		Total	
	Principal	Interest	Principal	Interest
2011	\$ 8,279	\$ 14,708	\$ 957,550	\$ 853,111
2012	8,635	14,352	752,393	595,028
2013	9,007	13,980	771,741	571,987
2014	9,394	13,593	1,056,486	547,505
2015	9,798	13,189	1,081,850	25,953
2016-2020	55,686	59,248	4,557,928	61,845
2021-2025	68,737	46,196	3,018,964	46,196
2026-2030	84,849	30,084	6,135,270	30,084
2031-2035	93,263	10,200	93,263	10,200
	\$ 347,648	\$ 215,550	\$ 18,425,445	\$ 2,741,909

NOTE 10: **CAPITAL LEASE**

The City has entered into lease agreements as lessee for financing which relate to various equipment and vehicles. These leases are long-term agreements which meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*. These amounts represent the present value of the minimum lease payments at the inception of the leases.

	Governmental Activities
Assets:	
Equipment	\$ 145,353
Vehicles	84,446
Building	118,234
Less: Accumulated Depreciation	(38,999)
Total	\$ 309,034

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments.

Year	Governmental Activities
2011	\$ 76,297
2012	66,735
2013	66,735
2014	66,735
2015	61,177
Total minimum lease payments	337,679
Less: Amount representing interest	(30,079)
Present value of minimum lease payments	\$ 307,600

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

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

Lease payments are made from the General Fund, Capital Projects Fund and Ambulance Billing Service Fund. The lease payment amounts will be paid with current, available resources that have accumulated in the fund for payment early in the following year.

NOTE 11: **COMPENSATED ABSENCES**

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

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, an employee is paid up to 25 percent to 40 percent of accumulated sick leave, subject to certain limitations and depending on number of service years, calculated at current wage rates.

NOTE 12: **PENSION PLANS**

A. **Ohio Public Employees Retirement System**

The City 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Plan Benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional 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 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2010, the members of all three plans were required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City contributed 14.0 percent of covered payroll.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

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

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

The City's required contributions for pension obligations to the Traditional and Combined plans for the years ended December 31, 2010, 2009, and 2008, were \$766,170, \$749,743, and \$678,150, respectively; 92.47 percent has been contributed for 2010 and 100 percent for 2009 and 2008.

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

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by state statute. The City's contributions to the Fund for police and firefighters were \$622,094 and \$706,789, respectively, for the year ended December 31, 2010, \$597,600 and \$700,866, respectively, for the year ended December 31, 2009, and \$564,630 and \$693,849, respectively, for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. For 2010, 49.81 percent for police and 50.73 percent for firefighters has been contributed, with the remainder being reported as a liability.

NOTE 13: **POST-EMPLOYMENT 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 maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. 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. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 13: **POST-EMPLOYMENT BENEFITS** (Continued)

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

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH, 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, the City contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of the post-employment health care benefits. For 2010, the employer contribution allocated to the health care plan was 5.5 percent from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care for the years ended December 31, 2010, 2009, and 2008, were \$280,473, \$314,648, and \$339,075, respectively; 92.47 percent has been contributed for 2010 and 100 percent has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. **Ohio Police and Fire Pension Fund**

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 13: **POST-EMPLOYMENT BENEFITS** (Continued)

B. Ohio Police and Fire Pension Fund (Continued)

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 E. Town Street, Columbus, Ohio 43215-5164.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 1150 and 401(h).

The City's contributions to OP&F for police and fire for the years ending December 31, 2010, 2009, and 2008, were \$622,094 and \$706,789, \$597,600 and \$700,866, and \$564,630 and \$693,849, respectively, of which \$215,340 and \$198,784, \$164,894 and \$188,975, and \$195,362 and \$194,972, respectively, was allocated to the health care plan. The full amount has been contributed for 2009 and 2008. For 2010, 49.81 percent for police and 50.73 percent for firefighters has been contributed, with the remainder being reported as a liability.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 14: RISK MANAGEMENT

The Northern Ohio Risk Management Association (NORMA) is jointly owned and operated by the cities of Bedford Heights, Chagrin Falls, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, and South Euclid for the purpose of enabling its members to obtain maximum exposure protection at the least possible cost. The pool has a complete package of coverage, including property, general liability, automobile liability, employee dishonesty, boiler and machinery, and other coverages, supplemented by an umbrella liability 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 joint venture for terms of three years.

Each member provides operating resources to NORMA based on actuarially determined rates and shares in NORMA's residual equity based on the City's percentage of contributions. In the event of losses, the first \$1,000 to \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$150,000 per occurrence, will be paid from the self-insurance pool with any excess paid from the stop loss coverage carried by the pool. As of December 31, 2009, NORMA had an aggregate stop loss ranging from \$400,000 to \$750,000 per policy year. Any losses over these amounts would be the obligation of the individual member. 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 20-year history of the pool.

Starting in 2009, the City has provided employees (and eligible dependents) medical and prescription drug benefits on a partially self-insured basis. Medical Mutual of Ohio Inc. serves as third party administrator to process and pay claims. Upon meeting the required employee contributions as well as staying within a Medical Mutual provider, maximum coverage is provided by the plan parameters. However, if an individual seeks care at a non-Medical Mutual provider, then 80 percent of the cost is covered. Furthermore, the plan allows for catastrophic (stop-loss) coverage of \$150,000 per occurrence. Employee medical benefits are charged to the General Fund.

The claims liability of \$352,411 reported in the General Fund at December 31, 2010, is based on an estimate of costs relating to incurred but not reported claims. Changes in the fund's claim liability amount were:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2010	\$ 343,765	\$ 1,546,367	\$ 1,537,691	\$ 352,441
2009	-	1,810,668	1,466,903	343,765

Workers' compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 14: **RISK MANAGEMENT** (Continued)

The City continues to carry commercial insurance for other risks of loss, including employee health, dental and life insurance. 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.

NOTE 15: **CONTINGENCIES/PENDING LITIGATION**

The City received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2010.

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

NOTE 16: **INTERFUND TRANSFERS AND BALANCES**

A. **Interfund Transfers**

Interfund transfers for the year ended December 31, 2010, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 216,121	\$ 1,111,069
Bond Retirement	134,471	-
Non-major Governmental Funds	1,063,720	303,243
Total	<u>\$ 1,414,312</u>	<u>\$ 1,414,312</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; and to provide additional resources for current operations. The transfers were proper in accordance with Ohio Revised Code 1901.26(B) (1).

The Non-major Governmental Funds transfers consisted of \$216,121 to the General Fund made for City operations and \$87,122 to the Street Construction Maintenance and Repair Fund for street repair expenditures in accordance with Ohio Revised Code Section 4501.04 (A). The City had no transfers that either did not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 16: **INTERFUND TRANSFERS AND BALANCES** (Continued)

B. Interfund Balances

Interfund balances for the year ended December 31, 2010, consisted of the following:

<u>Funds</u>	<u>Receivables</u>	<u>Payables</u>
General	\$ 58,406	\$ 63,466
Non-major Governmental Funds	63,466	58,406
Totals	<u>\$ 121,872</u>	<u>\$ 121,872</u>

The Municipal Income Tax General Fund received an advance from the Northfield Road Improvement Capital Projects Fund in the amount of \$63,466, which created an interfund receivable/payable. The balance resulted to advance the grant money to the fund that made the original payment for the goods and services before the grant money was received. The interfund loans provided from the General Fund were made to eliminate the negative cash balances in the Sewer Maintenance Fund and Housing Revitalization Fund.

NOTE 17: **JOINTLY GOVERNED ORGANIZATIONS**

A. Southeast Area Law Enforcement Organization

The Southeast Area Law Enforcement Organization is comprised of seven municipalities in southeastern Cuyahoga County for the purpose of providing assistance in the form of a SWAT team, Bomb Unit, Investigate Unit, Narcotics Unit, Crisis Negotiation Team, and Communications Unit. In 2010, the City contributed \$17,895 to the organization. The Southeast Area Law Enforcement organization financial statements may be obtained by contacting the Finance Director of the City of Bedford, Ohio.

B. 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 2010, the City contributed \$3,500 to the organization. The Chagrin/Southeast Council of Governments financial statements may be obtained by contacting the Finance Director of the City of Bedford Heights, Ohio.

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

NOTE 17: **JOINTLY GOVERNED ORGANIZATIONS** (continued)

C. **Northeast Ohio Public Energy Council (NOPEC)**

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity and natural gas on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas 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 and natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Maple Heights did not contribute to NOPEC during 2010. Financial information can be obtained by contacting the Board Chairman, 1615 Clark Avenue, Cleveland, Ohio, 44109.

NOTE 18: **ACCOUNTABILITY AND COMPLIANCE**

A. **Accountability**

There is a deficit in the General Fund of \$205,887 and deficits in the Police Pension, Fire Pension, Police Services, Fire Services, and Housing Revitalization Non-major Special Revenue Funds of \$312,239, \$348,269, \$30,491, \$33,462 and \$66,282, respectively, caused by the application of generally accepted accounting principles to these funds. The General Fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

B. **Compliance**

The Sewer Maintenance and Housing Revitalization Non-major Special Revenue Funds had negative cash balances contrary to Ohio Revised Code Section 5705.10 which amounted to \$15,903 and \$42,503, respectively. The General Fund provided interfund loans to eliminate the negative cash balances on the governmental funds' balance sheet.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements</u>
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>		
<i>Passed through Ohio Department of Development:</i>		
Community Development Block Grant	14.218	\$528,758
ARRA-Community Development Block Grant	14.253	<u>399,568</u>
Total Community Development Block Grant Cluster:		928,326
ARRA-Neighborhood Stabilization Program	14.256	<u>310,537</u>
Total U.S. Department of Housing and Urban Development		1,238,863
<u>U. S. DEPARTMENT OF JUSTICE:</u>		
<i>Passed through City of Cleveland:</i>		
Edward Byrne Memorial Justice Assistance Grant (JAG Grant)	16.804	<u>48,287</u>
Total U.S. Department of Justice		48,287
<u>U.S. DEPARTMENT OF HIGHWAY PLANNING AND CONSTRUCTION:</u>		
<i>Passed through Ohio Department of Transportation:</i>		
<i>Passed through Northeast Ohio Areawide Coordinating Agency:</i>		
Transportation for Livable Communities Initiative	20.205	<u>25,957</u>
Total U.S. Department of Highway Planning and Construction		25,957
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<i>Passed through Ohio Western Reserve Area Agency on Aging</i>		
Aging Congregate Nutrition Services for States	93.707	<u>87,584</u>
Total U.S. Department of Health and Human Services		87,584
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<i>Passed through Ohio Emergency Management Agency</i>		
Emergency Preparedness Demonstration Program	97.001	<u>693</u>
Total U.S. Department of Homeland Security		<u>693</u>
Total Federal Awards Expenditures		<u><u>\$1,401,384</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the City of Maple Heights' (the City) federal award programs disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain federal programs require the City to contribute non-federal funds (matching funds) to support the federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-federal matching funds.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Maple Heights
Cuyahoga County
5353 Lee Road
Maple Heights, Ohio 44137

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Heights, Cuyahoga County, Ohio (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 5, 2011, wherein we noted the City restated the December 31, 2009 net assets for interest on capital appreciation bonds and the Municipal Income Tax fund has been restated to be included within the General fund. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated October 5, 2011.

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

We intend this report solely for the information and use of management, the finance committee, City Council, federal awarding agencies and pass-through entities, and others within the City. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

October 5, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City of Maple Heights
Cuyahoga County
5353 Lee Road
Maple Heights, Ohio 44137

To the City Council:

Compliance

We have audited the compliance of the City of Maple Heights, Cuyahoga County, Ohio (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of City of Maple Heights' major federal programs for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Maple Heights complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

City of Maple Heights

Cuyahoga County

Independent Accountant's Report on Compliance with Requirements Applicable to Each Major

Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Page 2

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, the finance committee, City Council, others within the City, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

October 5, 2011

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant – CFDA # 14.218 and 14.253 (ARRA) Neighborhood Stabilization Program – CFDA # 14.256 (ARRA)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2010-001

Material Noncompliance Citation

Proper Encumbrance of Funds

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

"Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During our testing of non-payroll expenditures, we noted 12 out of 60 expenditures tested or (\$340,309 out of \$890,019) were entered into prior to receiving the Finance Director's certification.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010
(Continued)**

**FINDING NUMBER 2010-001
(Continued)**

Proper Encumbrance of Funds (Continued)

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, we recommend that the Financer Director utilize the encumbrance method of accounting and certify that the funds are or will be available prior to obligation by the City. When prior certification is not possible, "then and now" certification should be used.

We recommend the City certify the availability of funds prior to entering into any expenditure commitment.

Official's Response:

During the non payroll expenditure testing it was determined that \$321,930 of the \$340,309 in purchases made were for capital improvement projects and purchases. These projects are all approved by council before expenses can be incurred. The failure to obtain a purchase order for these projects is due to lack of communication between the City Engineer and the Finance Department. Purchase orders for these projects need to be created after council approval and not after invoices are received from the City Engineer. The Finance Department will create a policy encumbering all contracts approved by council after each meeting. The Finance Department will also communicate to all directors the need for a purchase order before any purchases can be made.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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CITY OF MAPLE HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 25, 2011**