

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

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

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



Dave Yost • Auditor of State

City Council
City of Maple Heights
5353 Lee Road
Maple Heights, Ohio 44095

We have reviewed the *Independent Auditor's Report* of the City of Maple Heights, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2014 to December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

October 19, 2015

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**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Heights, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Heights, Ohio, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows, and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 20 to the financial statements, there is substantial doubt about the City's ability to continue as a going concern. Also, as described in Note 21, the City was placed in fiscal emergency. The financial statements do not include any adjustments that might result from this uncertainty. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2015, on our consideration of the City of Maple Heights, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Maple Heights, Ohio's internal control over financial reporting and compliance.

**James G. Zupka,
CPA, President**

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James
G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.08.13 11:49:22 -04'00'

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

July 29, 2015

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City of Maple Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The discussion and analysis of the City of Maple Heights's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the basic financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

As you proceed through this discussion and analysis you will notice that while revenues increased from 2013 levels, they are not at the levels at which they had been previously. Expenses decreased significantly and net position saw an increase of \$272,571. On February 13, 2015, the State Auditor's Office placed the City of Maple Heights into Fiscal Emergency. The City is working to put in place a plan of action to eliminate this situation.

Using This Annual Financial Report

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

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

The City of Maple Heights as a Whole

Statement of Net Postion and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

City of Maple Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The *statement of activities* presents information showing how the government's net position changed during the recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

Reporting the City's Most Significant Funds

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

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

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

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

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

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

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

City of Maple Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

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

The City as a Whole

As noted earlier, the Statement of Net Position looks at the City as a whole. The following table provides a summary of the City's net position for 2014 compared to 2013.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$10,729,612	\$10,696,274	\$2,242,385	\$2,098,239	\$12,971,997	\$12,794,513
Capital Assets, Net	48,882,431	50,633,235	0	0	48,882,431	50,633,235
Total Assets	59,612,043	61,329,509	2,242,385	2,098,239	61,854,428	63,427,748
Deferred Outflows of Resources	22,624	29,245	0	0	22,624	29,245
Liabilities						
Current Liabilities	1,930,114	1,759,855	97,660	108,965	2,027,774	1,868,820
Long-Term Liabilities						
Due Within One Year	1,917,512	2,253,566	0	0	1,917,512	2,253,566
Due in More Than One Year	17,010,455	18,607,854	0	0	17,010,455	18,607,854
<i>Total Liabilities</i>	<i>20,858,081</i>	<i>22,621,275</i>	<i>97,660</i>	<i>108,965</i>	<i>20,955,741</i>	<i>22,730,240</i>
Deferred Inflows of Resources	3,205,063	3,283,076	0	0	3,205,063	3,283,076
Net Position						
Net Investment in Capital Assets	33,009,007	33,611,686	0	0	33,009,007	33,611,686
Restricted for:						
Capital Projects	48,919	0	0	0	48,919	0
Debt Service	284,043	210,760	0	0	284,043	210,760
Other Purposes	2,022,290	1,196,553	0	0	2,022,290	1,196,553
Unrestricted	207,264	435,404	2,144,725	1,989,274	2,351,989	2,424,678
<i>Total Net Position</i>	<i>\$35,571,523</i>	<i>\$35,454,403</i>	<i>\$2,144,725</i>	<i>\$1,989,274</i>	<i>\$37,716,248</i>	<i>\$37,443,677</i>

Total net position for governmental activities increased from 2013 levels. This was largely due to a decrease in compensated absences due to employees leaving the city and their positions not being filled. Total net position for business-type activity increased as the City closely monitored the spending in the solid waste collection fund.

City of Maple Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for Services	\$4,113,330	\$2,935,844	\$1,616,132	\$1,556,775	\$5,729,462	\$4,492,619
Operating Grants and Contributions	1,170,781	1,248,004	0	0	1,170,781	1,248,004
Capital Grants and Contributions	290,406	202,944	0	0	290,406	202,944
Total Program Revenues	<u>5,574,517</u>	<u>4,386,792</u>	<u>1,616,132</u>	<u>1,556,775</u>	<u>7,190,649</u>	<u>5,943,567</u>
General Revenues						
Property Taxes	3,481,279	4,186,537	0	0	3,481,279	4,186,537
Income Taxes	6,598,512	6,703,902	0	0	6,598,512	6,703,902
Grants and Entitlements	1,376,689	1,627,496	0	0	1,376,689	1,627,496
Franchise Taxes	270,107	345,736	0	0	270,107	345,736
Investment Earnings	196	523	0	0	196	523
Unrestricted Contributions	20,419	0	0	0	20,419	0
Other	667,348	238,139	0	0	667,348	238,139
Total General Revenues	<u>12,414,550</u>	<u>13,102,333</u>	<u>0</u>	<u>0</u>	<u>12,414,550</u>	<u>13,102,333</u>
<i>Total Revenues</i>	<u>17,989,067</u>	<u>17,489,125</u>	<u>1,616,132</u>	<u>1,556,775</u>	<u>19,605,199</u>	<u>19,045,900</u>
Program Expenses						
General Government	2,977,715	5,362,293	0	0	2,977,715	5,362,293
Security of Persons and Property	10,617,679	9,656,354	0	0	10,617,679	9,656,354
Public Health Services	90,701	88,850	0	0	90,701	88,850
Transportation	1,710,210	1,630,091	0	0	1,710,210	1,630,091
Community Environment	406,711	899,298	0	0	406,711	899,298
Basic Utility Services	797,875	966,474	0	0	797,875	966,474
Leisure Time Activities	612,442	757,032	0	0	612,442	757,032
Interest	658,614	725,942	0	0	658,614	725,942
Solid Waste Collection	0	0	1,460,681	1,242,058	1,460,681	1,242,058
Total Program Expenses	<u>17,871,947</u>	<u>20,086,334</u>	<u>1,460,681</u>	<u>1,242,058</u>	<u>19,332,628</u>	<u>21,328,392</u>
Increase (Decrease) in Net Position	117,120	(2,597,209)	155,451	314,717	272,571	(2,282,492)
Net Position, Beginning of Year	<u>35,454,403</u>	<u>38,051,612</u>	<u>1,989,274</u>	<u>1,674,557</u>	<u>37,443,677</u>	<u>39,726,169</u>
Net Position, End of Year	<u>\$35,571,523</u>	<u>\$35,454,403</u>	<u>\$2,144,725</u>	<u>\$1,989,274</u>	<u>\$37,716,248</u>	<u>\$37,443,677</u>

Governmental Activities

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

City of Maple Heights, Ohio
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For the Year Ended December 31, 2014
Unaudited

Major expense activities, under the accrual basis of accounting, included: security of persons and property expenses which accounted for 59.41 percent of total program expenses; general government expenses which accounted for 16.66 percent; basic utility services which accounted for 4.46 percent; and transportation which accounted for 9.57 percent. General government expenses saw a significant decrease due to cuts the City made as a result of being placed in fiscal watch. Overall, program expenses decreased by \$2,214,387 from 2013 program expense totals. The City is committed to providing the basic services that our residents expect.

Business-Type Activities

The City's business-type activities are comprised of one enterprise fund, which is the City's solid waste collection fund. In 2014, charges for services for the collection of garbage fees are the only revenue source for the fund. As a result of garbage collections increasing during the year, the City was also able to increase the expenses.

Governmental Funds Financial Analysis

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

The City's only major governmental fund is the general fund. The general fund expenditures exceeded revenues for the year after transfers out are included, with revenues increasing slightly from the previous year, and expenditures also increasing from the previous year largely due to an increase in security of persons and property expenditures. The increase in revenues is largely due to an increase in fees, licenses and permits.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of 2014, the City amended its general fund accordingly to avoid waiting until the end of the year to adjust appropriations. The control level of the general fund is by object within each department. This allows the City to make small interdepartmental budget modifications within departments. There was a decrease in revenues from the final budget to actual due to less received in other revenue than expected. There was a decrease in actual expenditures made compared to the final budget. This was due to monitoring the City's budget to keep their spending in line with their estimates.

City of Maple Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2014 balances of capital assets as compared to 2013.

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

	Governmental Activities	
	2014	2013
Land	\$310,031	\$310,031
Construction in Progress	54,536	956,460
Buildings and Improvements	5,242,940	5,467,679
Machinery and Equipment	478,617	527,592
Vehicles	1,350,930	1,642,413
Infrastructure	41,445,377	41,729,060
Total Capital Assets	<u><u>\$48,882,431</u></u>	<u><u>\$50,633,235</u></u>

For 2014, the primary additions for governmental activities included the completion of road improvements to Rockside Road and Granite Road. The City also made energy improvements throughout the City as well as purchased new computer software and police radios. Additional information concerning capital assets can be found in Note 8 to the basic financial statements.

Debt

Table 4 summarizes the City's long-term obligations outstanding at December 31, 2014.

Table 4
 Outstanding Long-Term Obligations at Year End

	Governmental Activities	
	2014	2013
General Obligation Bonds	\$14,562,411	\$15,158,325
OWDA Loans	363,223	593,096
OPWC Loans	1,440,950	1,505,164
Police and Fire Pension	425,851	667,458
Capital Leases	199,146	312,519
Compensated Absences	1,929,786	2,530,468
Workers' Compensation Liability	6,600	94,390
Total	<u><u>\$18,927,967</u></u>	<u><u>\$20,861,420</u></u>

At December 31, 2014, the general obligation bonds outstanding consist of the 2004 Various Purpose Bonds, the 2010 Various Purpose Refunding Bonds and the 2010 Capital Appreciation Bonds. The OWDA and OPWC loans outstanding are for infrastructure improvement projects, which are being repaid using

City of Maple Heights, Ohio
Management's Discussion and Analysis
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sanitation fees from the sewer maintenance fund. The other long-term loans consist of police and fire pension liability, capital leases for police vehicles and ambulance equipment, compensated absences and workers' compensation liability. Additional information concerning debt issuances can be found in Note 10 to the basic financial statements.

Current Related Financial Activities

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

Contacting the City of Maple Heights' Financial Management

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

Basic Financial Statements

City of Maple Heights, Ohio

Statement of Net Position

December 31, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	(\$33,268)	\$0	(\$33,268)
Cash and Cash Equivalents in Segregated Accounts	20,310	0	20,310
Accounts Receivable	1,865,947	1,637,255	3,503,202
Internal Balances	(605,130)	605,130	0
Intergovernmental Receivable	1,105,344	0	1,105,344
Municipal Income Taxes Receivable	3,598,666	0	3,598,666
Prepaid Items	113,484		113,484
Materials and Supplies Inventory	65,948	0	65,948
Property Taxes Receivable	4,598,311	0	4,598,311
Nondepreciable Capital Assets	364,567	0	364,567
Depreciable Capital Assets, Net	48,517,864	0	48,517,864
<i>Total Assets</i>	<u>59,612,043</u>	<u>2,242,385</u>	<u>61,854,428</u>
Deferred Outflows of Resources			
Deferred Amount on Refunding	<u>22,624</u>	<u>0</u>	<u>22,624</u>
Liabilities			
Accounts Payable	280,350	97,660	378,010
Accrued Wages	230,356	0	230,356
Matured Compensated Absences Payable	23,172		23,172
Intergovernmental Payable	555,191	0	555,191
Due to Agency Funds	625,888	0	625,888
Accrued Interest Payable	49,557	0	49,557
Claims Payable	165,600	0	165,600
Long-Term Liabilities:			
Due Within One Year	1,917,512	0	1,917,512
Due In More Than One Year	<u>17,010,455</u>	<u>0</u>	<u>17,010,455</u>
<i>Total Liabilities</i>	<u>20,858,081</u>	<u>97,660</u>	<u>20,955,741</u>
Deferred Inflows of Resources			
Property Taxes	<u>3,205,063</u>	<u>0</u>	<u>3,205,063</u>
Net Position			
Net Investment in Capital Assets	33,009,007	0	33,009,007
Restricted for:			
Capital Projects	48,919	0	48,919
Debt Service	284,043	0	284,043
Sewer Maintenance	1,163,404	0	1,163,404
Street Maintenance	536,777	0	536,777
Community Environment	250,537	0	250,537
Other Purposes	71,572	0	71,572
Unrestricted	<u>207,264</u>	<u>2,144,725</u>	<u>2,351,989</u>
<i>Total Net Position</i>	<u>\$35,571,523</u>	<u>\$2,144,725</u>	<u>\$37,716,248</u>

See Accompanying Notes to the Basic Financial Statements

City of Maple Heights, Ohio
Statement of Activities
For the Year Ended December 31, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$2,977,715	\$495,501	\$53,545	\$290,406
Security of Persons and Property	10,617,679	2,379,180	173,759	0
Public Health Services	90,701	18,245	0	0
Transportation	1,710,210	31,963	911,441	0
Community Environment	406,711	184,523	0	0
Basic Utility Services	797,875	905,354	0	0
Leisure Time Activities	612,442	98,564	32,036	0
Interest and Fiscal Charges	658,614	0	0	0
<i>Total Governmental Activities</i>	<i>17,871,947</i>	<i>4,113,330</i>	<i>1,170,781</i>	<i>290,406</i>
Business-Type Activities:				
Solid Waste Collection	1,460,681	1,616,132	0	0
<i>Total</i>	<i>\$19,332,628</i>	<i>\$5,729,462</i>	<i>\$1,170,781</i>	<i>\$290,406</i>

General Revenues

Property Taxes Levied for:

- General Purposes
- Debt Service
- Street Lighting
- Police Pension
- Fire Pension
- Police Levy
- Fire Levy

Municipal Income Tax Levied for General Purposes

Grants and Entitlements not Restricted to Specific Programs

Franchise Taxes

Interest

Unrestricted Contributions

Other

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$2,138,263)	\$0	(\$2,138,263)
(8,064,740)	0	(8,064,740)
(72,456)	0	(72,456)
(766,806)	0	(766,806)
(222,188)	0	(222,188)
107,479	0	107,479
(481,842)	0	(481,842)
(658,614)	0	(658,614)
(12,297,430)	0	(12,297,430)
0	155,451	155,451
(12,297,430)	155,451	(12,141,979)
1,621,847	0	1,621,847
589,576	0	589,576
226,760	0	226,760
68,028	0	68,028
68,028	0	68,028
453,520	0	453,520
453,520	0	453,520
6,598,512	0	6,598,512
1,376,689	0	1,376,689
270,107	0	270,107
196	0	196
20,419	0	20,419
667,348	0	667,348
12,414,550	0	12,414,550
117,120	155,451	272,571
35,454,403	1,989,274	37,443,677
\$35,571,523	\$2,144,725	\$37,716,248

City of Maple Heights, Ohio

*Balance Sheet
Governmental Funds
December 31, 2014*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	(\$33,268)	\$0	(\$33,268)
Cash and Cash Equivalents in Segregated Accounts	20,310	0	20,310
Accounts Receivable	641,061	1,224,886	1,865,947
Intergovernmental Receivable	549,351	555,993	1,105,344
Municipal Income Taxes Receivable	3,598,666	0	3,598,666
Prepaid Items	113,484	0	113,484
Materials and Supplies Inventory	37,681	28,267	65,948
Interfund Receivable	0	1,305,202	1,305,202
Property Taxes Receivable	2,165,656	2,432,655	4,598,311
<i>Total Assets</i>	<u>\$7,092,941</u>	<u>\$5,547,003</u>	<u>\$12,639,944</u>
Liabilities			
Accounts Payable	\$126,603	\$153,747	\$280,350
Accrued Wages	217,698	12,658	230,356
Matured Compensated Absences Payable	23,172	0	23,172
Intergovernmental Payable	546,823	8,368	555,191
Due to Agency Funds	625,888	0	625,888
Interfund Payable	1,910,332	0	1,910,332
Claims Payable	165,600	0	165,600
<i>Total Liabilities</i>	<u>3,616,116</u>	<u>174,773</u>	<u>3,790,889</u>
Deferred Inflows of Resources			
Property Taxes	1,509,481	1,695,582	3,205,063
Unavailable Revenue	4,456,016	2,169,438	6,625,454
<i>Total Deferred Inflows of Resources</i>	<u>5,965,497</u>	<u>3,865,020</u>	<u>9,830,517</u>
Fund Balances			
Nonspendable	151,165	28,267	179,432
Restricted	0	1,432,655	1,432,655
Committed	0	79,187	79,187
Unassigned	(2,639,837)	(32,899)	(2,672,736)
<i>Total Fund Balances</i>	<u>(2,488,672)</u>	<u>1,507,210</u>	<u>(981,462)</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u><u>\$7,092,941</u></u>	<u><u>\$5,547,003</u></u>	<u><u>\$12,639,944</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Maple Heights, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2014*

Total Governmental Funds Balances	(\$981,462)
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Amounts reported for governmental activities in the statement of net position are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

	48,882,431
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Other long-term assets are not available to pay for current period expenditures and therefore are unavailable revenue in the funds:

Delinquent Property Taxes	1,393,248
Intergovernmental	785,895
Municipal Income Taxes	2,835,580
Charges for Services	1,610,731
Total	6,625,454

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

	(49,557)
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Deferred outflows of resources represent deferred charges on refunding which are not reported in the funds.

	22,624
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(11,670,000)
Capital Appreciation Bonds	(2,295,175)
Premium on Bonds	(597,236)
OWDA Loans Payable	(363,223)
OPWC Loans Payable	(1,440,950)
Capital Leases Payable	(199,146)
Police and Fire Pension Payable	(425,851)
Claims Payable	(6,600)
Compensated Absences Payable	(1,929,786)
Total	(18,927,967)

Net Position of Governmental Activities \$35,571,523

See Accompanying Notes to the Basic Financial Statements

City of Maple Heights, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$1,667,571	\$1,910,792	\$3,578,363
Municipal Income Taxes	7,128,733	0	7,128,733
Intergovernmental	1,198,330	1,717,185	2,915,515
Charges for Services	243,119	1,327,342	1,570,461
Fees, Licenses and Permits	2,247,304	86,781	2,334,085
Franchise Taxes	307,329	0	307,329
Interest	196	0	196
Contributions and Donations	20,419	33,095	53,514
Other	576,588	90,760	667,348
<i>Total Revenues</i>	<i>13,389,589</i>	<i>5,165,955</i>	<i>18,555,544</i>
Expenditures			
Current:			
General Government	2,569,215	479,582	3,048,797
Security of Persons and Property	9,535,407	1,328,881	10,864,288
Public Health Services	90,701	0	90,701
Transportation	0	836,879	836,879
Community Environment	418,490	2,403	420,893
Basic Utility Services	243,577	146,073	389,650
Leisure Time Activities	504,651	7,027	511,678
Capital Outlay	0	215,733	215,733
Debt Service:			
Principal Retirement	0	1,174,174	1,174,174
Interest and Fiscal Charges	0	564,327	564,327
<i>Total Expenditures</i>	<i>13,362,041</i>	<i>4,755,079</i>	<i>18,117,120</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>27,548</i>	<i>410,876</i>	<i>438,424</i>
Other Financing Sources (Uses)			
OPWC Loans Issued	0	42,725	42,725
Transfers In	0	729,845	729,845
Transfers Out	(729,845)	0	(729,845)
<i>Total Other Financing Sources (Uses)</i>	<i>(729,845)</i>	<i>772,570</i>	<i>42,725</i>
<i>Net Change in Fund Balances</i>	<i>(702,297)</i>	<i>1,183,446</i>	<i>481,149</i>
<i>Fund Balances Beginning of Year</i>	<i>(1,786,375)</i>	<i>323,764</i>	<i>(1,462,611)</i>
<i>Fund Balances End of Year</i>	<i>(\$2,488,672)</i>	<i>\$1,507,210</i>	<i>(\$981,462)</i>

See Accompanying Notes to the Basic Financial Statements

City of Maple Heights, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2014*

Net Change in Fund Balances - Total Governmental Funds	\$481,149
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*Amounts reported for governmental activities in the
 statement of activities are different because*

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

Capital Asset Additions	313,902
Depreciation	<u>(2,029,096)</u>
Total	(1,715,194)

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. (35,610)

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

Property Taxes	(97,084)
Municipal Income Taxes	(530,221)
Intergovernmental	(109,675)
Charges for Services	210,684
Fees, Licenses and Permits	(1,900)
Contributions and Donations	(1,059)
Franchise Taxes	<u>(37,222)</u>
Total	(566,477)

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

General Obligation Bonds	710,000
OPWC Loans Payable	106,939
OWDA Loans Payable	229,873
Capital Leases Payable	113,373
Accrued Police and Fire Pension Liability	<u>13,989</u>
Total	1,174,174

OPWC Loans Issued in the governmental funds increased long-term liabilities in the statement of net position. (42,725)

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

Accrued Interest	26,420
Annual Accretion on Capital Appreciation Bonds	(156,976)
Amortization of Accounting Loss	(6,621)
Amortization of Bond Premium	<u>42,890</u>
Total	(94,287)

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	600,682
Claims	87,790
Police and Fire Pension Payable	<u>227,618</u>
Total	<u>916,090</u>

Change in Net Position of Governmental Activities \$117,120

See Accompanying Notes to the Basic Financial Statements

City of Maple Heights, Ohio
*Statement of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 General Fund*
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,781,568	\$1,667,571	\$1,667,571	\$0
Municipal Income Taxes	5,874,967	6,656,423	6,658,488	2,065
Intergovernmental	1,052,205	1,192,192	1,192,773	581
Charges for Services	194,352	222,854	242,859	20,005
Fees, Licenses and Permits	1,983,573	2,248,835	2,260,197	11,362
Franchise Taxes	218,330	249,521	265,763	16,242
Interest	182	205	196	(9)
Contributions and Donations	0	1,373	19,269	17,896
Other	576,758	642,881	555,837	(87,044)
<i>Total Revenues</i>	<i>11,681,935</i>	<i>12,881,855</i>	<i>12,862,953</i>	<i>(18,902)</i>
Expenditures				
Current:				
General Government	4,533,392	3,115,654	2,838,829	276,825
Security of Persons and Property	7,352,269	9,435,822	9,505,608	(69,786)
Public Health Services	105,388	107,239	90,701	16,538
Community Environment	523,598	556,071	440,823	115,248
Basic Utility Services	331,843	353,006	308,888	44,118
Leisure Time Activities	606,982	534,324	519,158	15,166
<i>Total Expenditures</i>	<i>13,453,472</i>	<i>14,102,116</i>	<i>13,704,007</i>	<i>398,109</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(1,771,537)</i>	<i>(1,220,261)</i>	<i>(841,054)</i>	<i>379,207</i>
Other Financing Sources (Uses)				
Transfers Out	(62,750)	(789,845)	(729,845)	60,000
<i>Net Change in Fund Balance</i>	<i>(1,834,287)</i>	<i>(2,010,106)</i>	<i>(1,570,899)</i>	<i>439,207</i>
<i>Fund Balance (Deficit) Beginning of Year</i>	<i>(1,691,654)</i>	<i>(1,691,654)</i>	<i>(1,691,654)</i>	<i>0</i>
Prior Year Encumbrances Appropriated	482,109	482,109	482,109	0
<i>Fund Balance (Deficit) End of Year</i>	<i>(\$3,043,832)</i>	<i>(\$3,219,651)</i>	<i>(\$2,780,444)</i>	<i>\$439,207</i>

See Accompanying Notes to the Basic Financial Statements

City of Maple Heights, Ohio

Statement of Fund Net Position

Enterprise Fund

December 31, 2014

**Solid Waste
Collection**

Assets

Current Assets

Accounts Receivable	\$1,637,255
Interfund Receivable	<u>605,130</u>
<i>Total Assets</i>	2,242,385

Liabilities

Current Liabilities

Accounts Payable	<u>97,660</u>
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Net Position

Unrestricted	<u><u>\$2,144,725</u></u>
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See Accompanying Notes to the Basic Financial Statements

City of Maple Heights, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Enterprise Fund
For the Year Ended December 31, 2014*

	<u>Solid Waste Collection</u>
Operating Revenue	
Charges for Services	\$1,616,132
Operating Expenses	
Contractual Services	<u>1,460,681</u>
<i>Change in Net Position</i>	155,451
<i>Net Position Beginning of Year</i>	<u>1,989,274</u>
<i>Net Position End of Year</i>	<u>\$2,144,725</u>

See Accompanying Notes to the Basic Financial Statements

City of Maple Heights, Ohio
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2014

**Solid Waste
Collection**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Customers	\$1,523,457
Cash Payments to Suppliers for Goods and Services	<u>(1,471,986)</u>
<i>Net Cash Provided by Operating Activities</i>	<i>51,471</i>

Cash Flows from Noncapital Financing Activities

Advances Out	<u>(605,130)</u>
Net Decrease in Cash and Cash Equivalents	<i>(553,659)</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>553,659</i>

Cash and Cash Equivalents End of Year

	<i>\$0</i>
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**Reconciliation of Operating Income
to Net Cash Provided by Operating Activities**

Operating Income	\$155,451
Increase in Accounts Receivable	(92,675)
Decrease in Accounts Payable	<u>(11,305)</u>
<i>Net Cash Provided by Operating Activities</i>	<i>\$51,471</i>

See Accompanying Notes to the Basic Financial Statements

City of Maple Heights, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2014

Assets

Due from Governmental Funds	\$625,888
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Liabilities

Deposits Held and Due to Others	\$625,888
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See Accompanying Notes to the Basic Financial Statements

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 1 - Description of the City and Reporting Entity

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

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

Reporting Entity

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

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

The City participates in three jointly governed organization and an insurance purchasing pool. These organizations are the Southeast Area Law Enforcement Organization, the Northeast Ohio Public Energy Council, the Chagrin/Southeast Council of Governments and the Northern Ohio Risk Management Association (NORMA). These organizations are presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Basis of Presentation

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

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

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

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

Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets 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 deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following is the City's major governmental fund:

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

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

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

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

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

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

Measurement Focus

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

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for proprietary and

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferral on refunding reported in the government-wide statement of net position. A deferral on refunding results from the difference in the carrying value of the refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, intergovernmental grants, municipal income taxes, charges for services, fees, licenses and permits, contributions and donations and franchise taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

(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.

Budgetary Data

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

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

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

Cash and Cash Equivalents

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

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

The City of Maple Heights has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold at December 31, 2014.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2014 amounted to \$196.

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, 2014

Inventory

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

Capital Assets

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

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

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

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

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

Interfund Balances

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

Compensated Absences

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

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments came due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which the employees who have resigned or retired will be paid.

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

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

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

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinances or resolution, as both are equally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

removes or changes the specified use by taking the same type of action (ordinances or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

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

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

Net Position

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

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

Interfund Activity

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

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

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Bond Premium

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for solid waste collection services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

Deferred Charge on Refunding

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

Estimates

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

Note 3 – Fund Balances

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

Fund Balance	General Fund	Other Governmental Funds		Total
<i>Nonspendable</i>				
Prepays	\$113,484		\$0	\$113,484
Inventory	37,681		28,267	65,948
<i>Total Nonspendable</i>	<i>\$151,165</i>		<i>\$28,267</i>	<i>\$179,432</i>

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Fund Balance	General Fund	Other Governmental Funds	Total
<i>Restricted for</i>			
Road Improvements	\$0	\$306,847	\$306,847
Police and Fire Operations	0	2,552	2,552
Drug and Alcohol Enforcement	0	170,643	170,643
Economic Development	0	116,246	116,246
Recreation	0	1,748	1,748
Computer Technology	0	136,606	136,606
Sewer Maintenance	0	574,737	574,737
Debt Payments	0	74,357	74,357
Capital Improvements	0	48,919	48,919
<i>Total Restricted</i>	<hr/> <hr/> 0	<hr/> <hr/> 1,432,655	<hr/> <hr/> 1,432,655
<i>Committed</i>			
Ambulance Billing	0	53,753	53,753
Office on Aging	0	25,434	25,434
<i>Total Committed</i>	<hr/> <hr/> 0	<hr/> <hr/> 79,187	<hr/> <hr/> 79,187
<i>Unassigned (Deficit)</i>	<hr/> <hr/> (2,639,837)	<hr/> <hr/> (32,899)	<hr/> <hr/> (2,672,736)
<i>Total Fund Balance (Deficit)</i>	<hr/> <hr/> (\$2,488,672)	<hr/> <hr/> \$1,507,210	<hr/> <hr/> (\$981,462)

Note 4 – Accountability and Compliance

Accountability

Fund balance at December 31, 2014, included the following individual fund deficits:

Fund	Amount
<i>Major Fund:</i>	
General	(\$2,488,672)
<i>Nonmajor Fund:</i>	
Street Lighting	(32,899)

The general fund concluded 2014 with a deficit fund balance of \$2,488,672. This deficit was a result of the City expending more and committing more than they received or will receive in revenue.

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

Compliance

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

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Fund	Appropriations Plus Prior Year Encumbrances	Expenditures Plus Encumbrances	Variance
<i>General Fund</i>			
Police Law Enforcement - Personal Services	\$3,892,500	\$3,930,453	(\$37,953)
Firefighting - Personal Services	3,995,600	4,045,447	(49,847)
<i>Special Revenue Funds</i>			
Sewer Maintenance Fund	356,735	641,806	(285,071)

The City had a negative cash fund balance in the general fund in the amount of \$2,692,020, indicating that revenue from other sources were used to pay obligations contrary to Ohio Revised Code Section 5705.10(H).

The following funds had appropriations in excess of estimated resources as reported on the Official Certificate of Estimated Resources at December 31, 2014, contrary to Ohio Revised Code Section 5705.39.

Fund	Final Estimated Resources	Final Appropriations	Variance
<i>General Fund</i>	\$11,672,310	\$14,891,961	(\$3,219,651)
<i>Special Revenue Funds</i>			
Ambulance Billing Fund	678,102	815,065	(136,963)
<i>Capital Projects Fund</i>			
City Hall Fund	290,406	347,544	(57,138)

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

Note 5 - Budgetary Basis of Accounting

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

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

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

4. Unreported cash represents amounts received but not included as revenue on the budgetary statements, but reported on the operating statements prepared using GAAP.

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

	General
GAAP Basis	(\$702,297)
Net Adjustment for Revenue Accruals	(427,255)
Net Adjustment for Expenditure Accruals	(230,391)
Ending Unrecorded Cash	(99,381)
Encumbrances	<u>(111,575)</u>
Budget Basis	<u><u>(\$1,570,899)</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

City of Maple Heights, Ohio
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3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that, in the event of the failure of the counterparty, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$151,073 of the City's bank balance of \$513,471 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

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

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Investments

At December 31, 2014, the City had \$8,329 invested in STAR Ohio with an average maturity of 50.1 days.

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

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

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial credit risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the City Treasurer or qualified trustee.

Note 7 - Receivables

Receivables at December 31, 2014, consisted primarily of municipal income taxes, motor vehicle license tax, property taxes, accounts (billings for user charged services and court fines), and intergovernmental receivables arising from grants, entitlements and shared revenues. No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables are expected to be collected within one year except for delinquent property taxes. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of the 2013 taxes. Property tax payments received during 2014 for tangible personal property (other than public utility property) are for 2014 taxes.

2014 real property taxes are levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

The full tax rate for all City operations for the year ended December 31, 2014, was \$15.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based as follows:

	Assessed Valuation
Real Estate	
Residential/Agriculture	\$193,433,310
Commercial Industrial/Public Utility	91,663,710
Tangible Personal Property	
Public Utility	<u>9,827,910</u>
Total	<u>\$294,924,930</u>

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the City of Maple Heights and periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2014 and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources – property taxes. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Taxes

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

Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Local Government	\$390,683
Homestead and Rollback	285,892
Gasoline Tax	234,299
Motor Vehicle Registration	170,446
Northeast Ohio Sewer District	9,412
Grants	9,046
City of Garfield Heights	5,496
State of Ohio Bureau of Motor Vehicles	70
Total Governmental Activities	<u><u>\$1,105,344</u></u>

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 8 - Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 12/31/13	Additions	Deletions	Balance 12/31/14
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$310,031	\$0	\$0	\$310,031
Construction in Progress	956,460	245,206	(1,147,130)	54,536
<i>Total Capital Assets, not being depreciated</i>	<u>\$1,266,491</u>	<u>\$245,206</u>	<u>(1,147,130)</u>	<u>\$364,567</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	\$11,522,918	\$113,953	\$0	\$11,636,871
Machinery and Equipment	1,589,001	68,696	0	1,657,697
Vehicles	4,637,091	0	(644,096)	3,992,995
Infrastructure:				
Roads	31,998,645	1,033,177	0	33,031,822
Traffic Signals	3,107,785	0	0	3,107,785
Storm Sewer	23,292,905	0	0	23,292,905
Sidewalks	1,424,833	0	0	1,424,833
<i>Total Capital Assets, being depreciated</i>	<u>77,573,178</u>	<u>1,215,826</u>	<u>(644,096)</u>	<u>78,144,908</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(6,055,239)	(338,692)	0	(6,393,931)
Machinery and Equipment	(1,061,409)	(117,671)	0	(1,179,080)
Vehicles	(2,994,678)	(255,873)	608,486	(2,642,065)
Infrastructure:				
Roads	(10,217,311)	(821,531)	0	(11,038,842)
Traffic Signals	(1,872,206)	(155,390)	0	(2,027,596)
Storm Sewer	(5,424,120)	(304,317)	0	(5,728,437)
Sidewalks	(581,471)	(35,622)	0	(617,093)
<i>Total Accumulated Depreciation</i>	<u>(28,206,434)</u>	<u>(2,029,096)</u>	<u>608,486</u>	<u>(29,627,044)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>49,366,744</u>	<u>(813,270)</u>	<u>(35,610)</u>	<u>48,517,864</u>
Governmental Activities Capital Assets, Net	<u>\$50,633,235</u>	<u>(\$568,064)</u>	<u>(\$1,182,740)</u>	<u>\$48,882,431</u>

Depreciation expense was charged to governmental functions as follow:

General Government	\$100,487
Security of Persons and Property	414,925
Transportation	976,921
Basic Utility Services	421,324
Leisure Time Activities	115,439
<i>Total Depreciation Expense</i>	<u>\$2,029,096</u>

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 9 - Interfund Transfers and Balances

Interfund Transfers

During 2014, the general fund transferred \$729,845 to other governmental funds as debt payments came due, to pay for street lighting payments and to provide additional resources for current operations.

Interfund Balances

During 2014, the general fund had an interfund payable to the solid waste enterprise fund and an interfund payable to other governmental funds in the amounts of \$605,130 and \$1,305,202, respectively. The interfund receivables and payable are the result of deficit cash balances and are expected to be repaid within one year.

The due from governmental fund and due to agency fund of \$625,888 in the agency fund and general fund was the result of deficit cash balances is expected to be repaid within one year.

Note 10 - Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
Governmental Activities			
<i>General Obligation Bonds:</i>			
Various Purpose Bonds - 2004	2.00-5.25%	\$4,110,000	2018
Various Purpose and Refunding Bonds - 2010	0.88-4.87%	11,275,000	2030
Capital Appreciation Bonds - 2010	7.25-7.50%	1,647,911	2024
<i>OWDA Loans</i>			
Kenyon/Gardenview Sewer Improvement - 1996	4.16%	2,515,205	2016
Phase I Sewer Improvement - 1996	4.35%	765,161	2016
Phase II Sewer Improvement - 1997	4.04%	110,426	2016
<i>OPWC Loans:</i>			
Maplewood/Northwood Sewers Improvements	0%	626,898	2016
Southgate Park Reconstruction	0%	185,649	2018
Lee Road Reconstruction	0%	86,370	2018
Industrial Avenue/E. 141st Improvements	0%	556,403	2023
Northfield Road Improvements	0%	360,000	2030
East 141st Street/Maple Heights Blvd Improvements	0%	333,013	2034
Broadway Sanitary Interceptor Extension	0%	91,860	2043
Broadway Avenue Reconstruction	0%	381,774	2039
Sanitary Sewer Repairs	0%	196,560	n/a
Libby Road Reconstruction	0%	1,325	n/a
Lee Road Pavement Repairs	0%	4,360	n/a

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Changes in long-term obligations of the City during 2014 are as follows:

<i>Governmental Activities</i>	Outstanding 12/31/2013	Additions	Reductions	Outstanding 12/31/2014	Due in One Year
General Obligation Bonds					
Various Purpose Bonds, due 2018	\$1,370,000	\$0	\$250,000	\$1,120,000	\$260,000
Unamortized Premium	28,022	0	5,604	22,418	0
Various Purpose and Refunding, due 2030	11,010,000	0	460,000	10,550,000	465,000
Capital Appreciation Bonds, due 2024	1,647,911	0	0	1,647,911	0
Accretion on Bonds	490,288	156,976	0	647,264	0
Unamortized Premium	612,104	0	37,286	574,818	0
<i>Total General Obligation Bonds</i>	<i>15,158,325</i>	<i>156,976</i>	<i>752,890</i>	<i>14,562,411</i>	<i>725,000</i>
OWDA Loans					
Kenyon/Gardenview Sewer, due 2016	438,464	0	169,990	268,474	177,135
Phase I Sewer, due 2016	135,230	0	52,354	82,876	54,656
Phase II Sewer, due 2016	19,402	0	7,529	11,873	7,836
<i>Total OWDA Loans</i>	<i>593,096</i>	<i>0</i>	<i>229,873</i>	<i>363,223</i>	<i>239,627</i>
OPWC Loans					
Maplewood/Northwood Sewers Improvements	85,862	0	34,345	51,517	34,345
Southgate Park Reconstruction	24,820	0	4,964	19,856	4,964
Lee Road Reconstruction	19,433	0	4,319	15,114	4,319
Industrial Ave./E.141st Improvements	278,202	0	27,820	250,382	27,820
Northfield Road Improvements	297,000	0	18,000	279,000	18,000
East 141st Street and Maple Heights Improvements	333,013	0	8,325	324,688	16,651
Broadway Sanitary Interceptor Extension	59,180	32,680	1,531	90,329	3,062
Broadway Avenue Reconstruction	381,774	0	7,635	374,139	15,271
Sanitary Sewer Repairs	25,880	4,360	0	30,240	0
Libby Road Reconstruction	0	1,325	0	1,325	0
Lee Road Pavement Repairs	0	4,360	0	4,360	0
<i>Total OPWC Loans</i>	<i>1,505,164</i>	<i>42,725</i>	<i>106,939</i>	<i>1,440,950</i>	<i>124,432</i>
Other Long-Term Obligations					
Capital Leases Payable	312,519	0	113,373	199,146	112,078
Compensated Absences	2,530,468	235,110	835,792	1,929,786	586,139
Accrued Police and Fire Pension Liability	326,032	0	13,989	312,043	9,828
Police and Fire Pension Liability	341,426	0	227,618	113,808	113,808
Claims Payable	94,390	0	87,790	6,600	6,600
<i>Total Other Long-Term Obligations</i>	<i>3,604,835</i>	<i>235,110</i>	<i>1,278,562</i>	<i>2,561,383</i>	<i>828,453</i>
<i>Total Governmental Activities</i>	<i>\$20,861,420</i>	<i>\$434,811</i>	<i>\$2,368,264</i>	<i>\$18,927,967</i>	<i>\$1,917,512</i>

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

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

Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 1993 general obligation bonds. As a result \$2,395,000 of these bonds were considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. The amount still outstanding at December 31, 2014 is \$165,000.

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
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The serial and capital appreciation bonds remained outstanding at December 31, 2014. The capital appreciation bonds were originally sold at a discount of \$2,512,089, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2021 through 2024.

The maturity amount of outstanding capital appreciation bonds at December 31, 2014 is \$1,647,911. The accretion recorded for 2014 was \$156,976, for a total outstanding bond liability of \$2,295,175 at December 31, 2014.

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

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

Lines of credit had been established for the Ohio Public Works Commission in the amount of \$1,139,807 for various sanitary sewer and road projects. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates. The balance of these loans is as follows:

	December 31, 2014	Lines of Credit
Sanitary Sewer Repair	\$30,240	\$196,560
Libby Road Reconstruction	1,325	673,877
Lee Road Improvements	4,360	269,370
Total Loans not Finalized:	<hr/> \$35,925 <hr/>	<hr/> \$1,139,807 <hr/>

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

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

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

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

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

The City's overall legal debt margin was \$16,479,064 with an unvoted debt margin of \$1,732,817 at December 31, 2014.

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2014, were as follows:

	Governmental Activities			
	General Obligation Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2015	\$725,000	\$489,894	\$0	\$0
2016	755,000	457,644	0	0
2017	790,000	424,006	0	0
2018	795,000	388,844	0	0
2019	830,000	353,294	0	0
2020-2024	865,000	320,094	1,647,911	3,654,064
2025-2029	5,640,000	989,794	0	0
2030	<u>1,270,000</u>	<u>53,975</u>	<u>0</u>	<u>0</u>
Total	<u><u>\$11,670,000</u></u>	<u><u>\$3,477,545</u></u>	<u><u>\$1,647,911</u></u>	<u><u>\$3,654,064</u></u>

	Governmental Activities				
	OPWC Loans		OWDA Loans		Accrued Police and Fire Pension
	Principal	Principal	Interest	Principal	Interest
2015	\$124,432	\$239,627	\$12,764	\$9,828	\$13,159
2016	107,259	123,596	2,598	10,251	12,736
2017	90,087	0	0	10,691	12,296
2018	87,925	0	0	11,150	11,837
2019	80,804	0	0	11,629	11,358
2020-2024	376,200	0	0	66,080	48,855
2025-2029	264,918	0	0	81,544	33,391
2030-2034	175,592	0	0	100,627	14,308
2035-2039	84,029	0	0	10,243	217
2040-2044	<u>13,779</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>\$1,405,025</u></u>	<u><u>\$363,223</u></u>	<u><u>\$15,362</u></u>	<u><u>\$312,043</u></u>	<u><u>\$158,157</u></u>

Note 11 - Capital Leases

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

Governmental Activities	
Building	\$118,234
Equipment	224,951
Vehicles	143,550
Less: Accumulated Depreciation	<u>(204,331)</u>
Total	<u><u>\$282,404</u></u>

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2014.

	<u>Governmental Activities</u>
2015	\$117,747
2016	43,509
2017	30,461
2018	<u>17,580</u>
Total Minimum Lease Payments	209,297
Less: Amount representing interest	(10,151)
Present Value of Minimum Lease Payments	<u><u>\$199,146</u></u>

Note 12 - Compensated Absences

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

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

Note 13 - Risk Management

Property and Liability

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

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

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Employee Insurance Benefits

Starting in 2009, the City has provided employees (and eligible dependents) medical and prescription drug benefits on a partially self-insured basis. The Fedeli Group serves as third party administrator to process and pay claims. Upon meeting the required employee contributions as well as staying within a Medical Mutual provider, maximum coverage is provided by the plan parameters. However, if an individual seeks care at a non-Medical Mutual provider, then 70 percent of the cost is covered. Furthermore, the plan allows for catastrophic (stop-loss) coverage of \$50,000 per occurrence. Employee medical benefits are charged to the general fund. The claims liability of \$165,600 reported in the general fund at December 31, 2014, is based on an estimate by the third party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Management's expectation is the claims liabilities will be paid within one year.

Changes in the funds' claims liability amount for 2013 and 2014 was:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2013	\$64,637	\$1,980,694	\$1,863,331	\$182,000
2014	182,000	297,092	313,492	165,600

Workers' Compensation

During calendar year 2012, the City began participating in the State Workers' Compensation retrospective rating and payment system. The plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured. Beginning in fiscal year 2014, the City no longer participates in the retrospective rating and payment system. The remaining claims outstanding of \$6,600 have been accrued as a liability at December 31, 2014 based on an estimate provided by the City. The claims liability of \$6,600 reported at December 31, 2014 for Workers' Compensation is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for 2013 and 2014 are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2013	\$159,429	\$108,933	\$173,972	\$94,390
2014	94,390	0	87,790	6,600

The City pays the Ohio Bureau of Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 14 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 percent

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, 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 visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2014, members in state and local classifications contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

The City's 2014 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012 were \$351,182, \$459,229 and \$419,421, respectively. For 2014, 92.37 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions to the Member-Directed Plan for 2014 were \$1,680 made by the City and \$1,200 made by the plan members.

Ohio Police and Fire Pension Fund

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

Funding Policy - Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2014, through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014, through December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 24 percent for firefighters.

City of Maple Heights, Ohio
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The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2014, the portion of the City's contribution used to fund pension benefits was 19 percent of covered payroll for police officers and 23.5 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$524,543 and \$634,322 for the year ended December 31, 2014, \$482,424 and \$583,714 for the year ended December 31, 2013, and \$364,265 and \$474,116 for the year ended December 31, 2012. For 2014, 84.16 percent for police and 86.91 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

In addition to current contributions, the City pays installments on the accrued liability incurred with the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2014, the liability of the City was \$312,043 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported as "long-term liabilities" in the government activities column on the statement of net position.

Note 15 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

City of Maple Heights, Ohio
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Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent for both plans as recommended by the OPERS actuary.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The City's contribution allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$58,530, \$35,325, and \$167,768, respectively. For 2014, 92.37 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

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

Ohio Police and Fire Pension Fund

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

OPF provides access to postretirement 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 OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.opf.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

City of Maple Heights, Ohio
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For the Year Ended December 31, 2014

OPF 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 premium 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 OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OPF which were allocated to fund postemployment health care benefits for police and firefighters was \$13,804 and \$13,496 for the year ended December 31, 2014, \$109,973 and \$103,682 for the year ended December 31, 2013, and \$192,486 and \$185,524 for the year ended December 31, 2012. For 2014, 84.16 percent for police and 86.91 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Note 16 - Contingencies

Grants

The City received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2014.

Litigation

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

Note 17 - Jointly Governed Organizations

Southeast Area Law Enforcement Organization

The Southeast Area Law Enforcement Organization is comprised of seven municipalities in southeastern Cuyahoga County for the purpose of providing assistance in the form of a SWAT team, Bomb Unit, Investigate Unit, Narcotics Unit, Crisis Negotiation Team, and Communications Unit. The organization is governed by a Board of Directors made up of one representative from each participating government. The degree of control exercised by any participating government is limited to its representation on the Board. In

City of Maple Heights, Ohio
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2014, the City contributed \$25,000 to the organization. The Southeast Area Law Enforcement organization financial statements may be obtained by contacting the Finance Director of the City of Bedford, Ohio.

Northeast Ohio Public Energy Council

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Maple Heights did not contribute to NOPEC during 2014. Financial information can be obtained by contacting Joseph Migliorini, the Board Chairman, at 175 South Main Street, Akron, Ohio 44308 or at the website www.nopecinfo.org.

Chagrin/Southeast Council of Governments

The Chagrin/Southeast Council of Governments operates the Chagrin/Southeast HazMat Response Team. The team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. The council is governed by a Board of Directors made up of one representative from each participating government. The degree of control exercised by any participating government is limited to its representation on the Board. The City of Maple Heights did not contribute to the Chagrin/Southeast Council of Governments during 2014. The Chagrin/Southeast Council of Governments financial statements may be obtained by contacting the Finance Director of the City of Bedford Heights, Ohio.

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

Note 18 - Shared Risk Pool

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

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

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

In 2014, the City of Maple Heights paid \$300,185 in premiums from the general fund, which represents 1.7 percent of the total premiums paid by all members. Financial information can be obtained by contacting the board chairman, the Finance Director at the City of Mayfield Heights, 6154 Mayfield Road, Mayfield Heights, Ohio 44124.

Note 19 – Encumbrances

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

	<u>Governmental Funds</u>
General fund	\$111,575
Other Governmental Funds	114,923
Total	<u><u>\$226,498</u></u>

Note 20 – Going Concern

Ohio Revised Code Section 5705.10, in part, requires that money paid into any fund shall be expended only after such fund received monies to cover expenditures. The City has experienced a financial shortfall which has resulted in deficit spending in the general fund of \$2,692,020 at December 31, 2014. Continued operations are dependent upon the City's ability to meet financing requirements and current obligations.

The City's financial operations are expected to remain pressured as the City's overall liquidity is extremely narrow and revenue raising flexibility is limited due to lack of voter support. The City's general fund reserve position has deteriorated steadily since fiscal 2007. The declines resulted from persistently negative operating results driven by a mix of declining property and income tax revenues and an inability to sufficiently contain costs. The City has been cutting expenditures consistently for the last four years, but revenue declines have outpaced these reductions.

Going forward, the City has limited options for raising revenues. The City levies a continuous 2.5 percent municipal income tax, which comprises 54 percent of general fund revenues. The City also levies a 15.5 mill property tax levy, which accounts for 16 percent of general fund revenues. In November 2014, there were two measures on the ballot to increase property taxes, a 1.3 mill senior center levy and a 4.7 mill operating expense levy, which would together generate \$1.4 million annually. Voters rejected the two proposals, with 50.5 percent against the senior center levy and 61.3 percent against the operating expense levy.

City of Maple Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

With absent new revenues, the City is left solely with cost cutting measures to achieve sustainable budgetary balance. Given the cuts already implemented, the City's options for further reducing expenses may be diminishing.

Note 21 – Subsequent Events

On February 13, 2015, the Auditor of State's office declared the City to be in a state of fiscal emergency under Section 118.03(A)(1) and 118.03(A)(5) of the Ohio Revised Code. The City did not make its semi-annual payments on three Ohio Water Development Authority Loans in the amount of \$93,240 for the Water Pollution Control Loan Sewer Improvements, \$28,837 for the Water Pollution Control Loan Sewer Rehabilitation and \$4,119 for the Water Pollution Control Loan Sewer Rehabilitation Supplement. The City had total unprovided portion of aggregate deficit funds at December 31, 2014, in the amount of \$589,889, that exceeded one-sixth of the general fund receipts and the receipts of the respective deficit funds and funds that are available for transfer to meet such deficits. At December 31, 2014, the treasury balance less positive fund balances exceeded one sixth of the receipts for the year.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Heights, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2014 , and the related notes to the financial statements, which collectively comprise the City of Maple Heights, Ohio's basic financial statements, and have issued our report thereon dated July 29, 2015, wherein we noted there is substantial doubt about the City's ability to continue as a going concern and the Auditor of State declared the City to be in a state of fiscal emergency.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Maple Heights, Ohio's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as **Finding No. 2014-002** that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Maple Heights, Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as **Finding 2014-001, Finding 2014-003, and Finding 2014-004**.

City of Maple Heights, Ohio's Responses to Findings

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

Purpose of this Report

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

**James G. Zupka,
CPA, President**

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



Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G.
Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.08.13 11:49:54 -04'00'

July 29, 2015

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2014**

Finding Number 2014-001 - Material Noncompliance - Negative Cash Fund Balance

Condition/Criteria

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

During our review of the City's general ledger, we noted that one fund had negative cash fund balance at December 31, 2014:

<u>Major Fund</u>	<u>Deficit Cash Balance</u>
General Fund	\$ 2,692,020

Cause/Effect

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

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

Recommendation

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

City's Response

The City is monitoring its cash fund balances on a daily basis in order to ensure that sufficient cash is on hand to pay for obligations, and the City will utilize advances when necessary.

The current negative cash fund balance in the General Fund resulted from prior years' excess expenditures which culminated in 2014. This placed the City in a state of Fiscal Emergency declared February 13, 2015 by the Auditor of State. A five year recovery plan to eliminate the deficit will be implemented once the State seats the Commission.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2014
(CONTINUED)**

Finding Number 2014-002 - Significant Deficiency - Bank Reconciliations

Condition/Criteria

During our testing of the December 2014 bank reconciliations, we noted an extensive number of reconciling items. As a result of our testing of all material reconciling items, we determined that the City does not post revenues and expenditures timely. In addition, based on review of the bank statements, we noted that some revenue items were not posted in the system.

We also noted that none of the activity that occurred in 2014 in the Mayor's Court was posted in the Mayor's Fund. Net adjustment for Mayor's Court activity was posted to the books after the bank reconciliation was performed to reflect the change in the Mayor's Court Fund.

Per our review of reconciling items in the Trust and Agency Fund, we noted that the City did not record any activity for the Trust and Agency Fund during the year. A journal entry was posted to the Fund at the end of 2014 to reflect the amount of total escrow checks issued.

Cause/Effect

An extensive number of reconciling items, not posting revenues and expenditures timely, and not recording activity properly can potentially cause the City to report financial information incorrectly.

Recommendation

We recommend that the City post revenues and expenditures timely in order to prevent double booking and errors. We also recommend that the City post the activity for the Mayor's Court Fund and the Trust and Agency Fund throughout the year.

City's Response

The City was declared in Fiscal Watch by the Auditor of State on April 10, 2014. Consequently, the Fiscal Supervisors assumed the responsibility of analyzing and reconciling the City's bank accounts for 2014. Upon their completion in 2015, the City's Finance Director was advised to record their reconciling items.

The City is currently posting revenues timely since July 2014. The staff also maintains a daily cash flow spreadsheet which contains every cash transaction. Initially, there was not a trained accounting staff in the Finance Department, due to the transition of finance directors.

All of the operating expenditures (approximately 97 percent of activity), excluding Mayor's Court and the Trust and Agency Fund (approximately 3 percent of activity) have always posted in real time due to automated accounting software (SSI) linking accounts payable and the financial statements.

The City is posting the expenditures to the Mayor's Court Fund and the Trust and Agency Fund throughout the year.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2014
(CONTINUED)**

Finding Number 2014-003 - Material Noncompliance - Expenditures Plus Encumbrances Exceeding Appropriations Plus Prior Year Encumbrances

Condition/Criteria

Ohio Revised Code Section 5705.41(B) prohibits a City from expending money unless it has been appropriated. During our review of budgetary procedures, we noted that the following funds had expenditures plus encumbrances that exceeded appropriations plus prior year encumbrances, which is contrary to Ohio Revised Code Section 5705.41(B).

	<u>Appropriations Plus Prior Year Encumbrances</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variances</u>
General Fund:			
Police - Personal Services	\$ 3,892,500	\$ 3,930,453	\$ (37,953)
Fire - Personal Services	3,995,600	4,045,447	(49,847)
Sewer Maintenance	356,735	641,806	(285,071)

Cause/Effect

Contrary to Ohio Revised Code Section 5705.41(B), the City had expenditures in excess of appropriations, which created negative fund balances in the affected funds.

Recommendation

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

City's Response

The City is exercising due care to ensure expenditures plus encumbrances do not exceed appropriations plus prior year encumbrances.

One of the funds noted had a positive fund balance.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2014
(CONTINUED)**

Finding Number 2014-004 - Material Noncompliance - Appropriations Exceeding Estimated Resources

Condition/Criteria

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

Fund	Final Estimated Resources	Final Appropriations	Variance
General Fund	\$ 11,672,310	\$ 14,891,961	\$(3,219,651)
Special Revenue Fund:			
Ambulance Billing	678,102	815,065	(136,963)
Capital Project Fund:			
City Hall Fund	290,406	347,544	(57,138)

Cause/Effect

Contrary to Ohio Revised Code Section 570.39, the City had appropriations that exceeded estimated resources available, which caused negative fund balances in the affected funds.

Recommendation

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

City's Response

The City will amend appropriations to a level that does not exceed the amended certificate including the outstanding encumbrances.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO**
SCHEDULE OF PRIOR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014

The prior issued audit report, as of December 31, 2013, included material noncompliance citations, material weaknesses, and a significant deficiency.

Finding Number	Finding Summary	Fully Corrected?
2013-001	Negative Cash Fund Balances	No. Repeated as Finding 2014-001.
2013-002	Internal Control Over Financial Reporting	Yes.
2013-003	Receipt Support	Partially corrected. Re-issued as a management comment.
2013-004	Expenditures Plus Encumbrances Exceeding Appropriations Plus Prior Year Encumbrances	No. Repeated as Finding 2014-003
2013-005	Appropriations Exceeding Estimated Resources	No. Repeated as Finding 2014-004

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

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Dave Yost • Auditor of State

CITY OF MAPLE HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 5, 2015