



Dave Yost • Auditor of State

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

**Fiscal Emergency Analysis
As of December 31, 2014 and January 31, 2015**

Local Government Services Section

City of Maple Heights, Cuyahoga County

Fiscal Emergency Analysis

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Declaration of Fiscal Emergency

The Auditor of State performed a fiscal analysis of the City of Maple Heights pursuant to Section 118.03 of the Ohio Revised Code. This analysis indicates and it is hereby declared that a fiscal emergency exists at the City of Maple Heights as defined in Sections 118.03(A)(1) and 118.03(A)(5) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Jeffrey A. Lansky, Mayor of the City of Maple Heights; Jackie Albers, Council President of the City of Maple Heights; John Kasich, Governor; Jon Husted, Secretary of State; Josh Mandel, Treasurer of State; Timothy S. Keen, Director of the Office of Budget and Management and Mark A. Parks, C.P.A., Secretary of the Cuyahoga County Budget Commission.

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

DAVE YOST
Auditor of State

February 13, 2015

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City of Maple Heights, Cuyahoga County

Fiscal Emergency Analysis

Introduction

As provided by Section 118.04(A) of the Ohio Revised Code, the Auditor of State initiated a fiscal analysis for the City of Maple Heights, Cuyahoga County (the City). The purpose of this analysis is to determine if the financial condition of the City justifies the declaration of a fiscal emergency.

A city is placed in fiscal emergency if any one of the six conditions described in Section 118.03 of the Ohio Revised Code exists. The six conditions are: 1) default on a debt obligation; 2) failure to make payment of all payroll; 3) an increase in the minimum levy of the city which results in the reduction in the minimum levy of another subdivision; 4) significant past due accounts payable; 5) substantial deficit balances in city funds; and 6) a sizeable deficiency when the city's treasury balance is compared to the positive cash balances of the city's funds.

The year-end conditions described under Conditions four, five, and six do not constitute a fiscal emergency if the City clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination that the conditions no longer exist at the time of the determination.

This report identifies the procedures performed and the conclusions reached with respect to each condition as of December 31, 2014, and January 31, 2015, the date of determination..

Condition One – Default on Any Debt Obligation

Section 118.03(A)(1) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

We reviewed the outstanding indebtedness of the City as of December 31, 2014 and January 31, 2015, which consisted of several debt issues. A summary of the City's outstanding debt is presented below:

Debt Issue	Interest Rate	Issue Date	Issue Amount
General Obligation Bonds Payable:			
Various Purpose Bonds - 2004	2.00-5.25%	August 1, 2004	\$4,110,000
Various Purpose Bonds - 2010	2.00-4.25	June 16, 2010	12,922,911
Ohio Water Development Authority:			
Water Pollution Control Loan Sewer Improvements	4.16	July 1, 1996	2,515,205
Water Pollution Control Loan Sewer Rehabilitation	4.35	July 1, 1996	765,161
Water Pollution Control Loan Sewer Rehabilitation Supplement	4.04	January 1, 1997	110,426
Ohio Public Works Commission:			
Maplewood/Northwood Sewers	0.00	January 1, 1996	686,898
Lee Road Reconstruction	0.00	July 1, 1998	86,370
Southgate Park Boulevard Reconstruction	0.00	January 1, 1999	99,279
Industrial Avenue/East 141st Street Improvement	0.00	January 1, 2004	556,403
Northfield Road Improvement	0.00	July 1, 2010	360,000
Broadway Avenue Reconstruction	0.00	July 1, 2014	2,250,000
Broadway Sanitary Interceptor Extension	0.00	July 1, 2014	91,860
East 141st Street and Maple Heights	0.00	July 1, 2014	333,013

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We obtained a list of outstanding debt from the 2013 audited financial statements and reviewed the existing minutes for the period of January 1, 2014 through January 31, 2015 to identify any new debt issues. We obtained the vouchers for the payments made before January 31, 2015, and compared the billing statements, invoices, or requests for payment to the amortization schedules and debt proceedings to determine if the City met its debt obligations in a timely manner. We also reviewed the billing statements, invoices, and requests for payment for any delinquent amounts.

The debt issues, the payment dates, and the amounts due and paid prior to the date of determination are presented below:

Debt Issue	Payment Date	Amount Due	Payments 30 Days Past Due at January 31, 2014
<i>General Obligation Bonds Payable:</i>			
Various Purpose Bonds - 2004	January 1, 2014	\$34,400	\$0
	December 1, 2014	284,400	0
Various Purpose Bonds - 2010	January 1, 2014	221,297	0
	December 1, 2014	681,297	0
<i>Ohio Water Development Authority:</i>			
Water Pollution Control Loan Sewer Improvements	January 1, 2014	93,240	0
	July 1, 2014	93,240	0
	January 1, 2015	93,240	93,240
Water Pollution Control Loan Sewer Rehabilitation	January 1, 2014	28,837	0
	July 1, 2014	28,837	0
	January 1, 2015	28,837	28,837
Water Pollution Control Loan Sewer Rehabilitation Supplement	January 1, 2014	4,119	0
	July 1, 2014	4,119	0
	January 1, 2015	4,119	4,119
<i>Ohio Public Works Commission:</i>			
Maplewood/Northwood Sewers	January 30, 2014	17,172	0
	July 1, 2014	17,172	0
	January 30, 2015	17,172	0
Lee Road Reconstruction	January 30, 2014	2,159	0
	July 1, 2014	2,159	0
	January 30, 2015	2,159	0
Southgate Park Boulevard Reconstruction	January 30, 2014	2,482	0
	July 1, 2014	2,482	0
	January 30, 2015	2,482	0
Industrial Avenue/East 141st Street Improvement	January 30, 2014	13,910	0
	July 1, 2014	13,910	0
	January 30, 2015	13,910	0

(continued)

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Debt Issue	Payment Date	Amount Due	Payments 30 Days Past Due at January 31, 2014
<i>Ohio Public Works Commission (continued):</i>			
Northfield Road Improvement	January 30, 2014	\$9,000	\$0
	July 1, 2014	9,000	0
Broadway Avenue Reconstruction	January 30, 2014	9,000	0
	July 1, 2014	7,635	0
Broadway Sanitary Interceptor Extension	January 30, 2015	7,635	0
	July 1, 2014	1,531	0
East 141st Street and Maple Heights	January 30, 2015	1,531	0
	July 1, 2014	8,325	0
	January 30, 2015	8,325	0
Total Debt Payments 30 Days Past Due			<u>\$126,196</u>

Conclusion: A fiscal emergency condition does exist under Section 118.03(A)(1) of the Ohio Revised Code as of January 31, 2015. The City has not made 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.

Condition Two – Payment of All Payroll

Section 118.03(A)(2) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation, county, or township in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- (a) For more than thirty days after such time for payment, or
- (b) Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We reviewed the payroll records of the City as of January 31, 2015. We reviewed the City’s ordinances and other personnel records to determine the employees of the City, pay rates, frequency of payroll, and whether any extensions for the payment of payroll exist. We reviewed payroll reports and interviewed various employees to see if payroll checks were issued on the scheduled pay dates. These procedures were performed to ascertain whether City employees had been paid within the time specified by Section 118.03(A)(2) of the Ohio Revised Code.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of January 31, 2015. All employees have been paid in amounts and at the times required by City ordinance and negotiated agreements.

City of Maple Heights, Cuyahoga County

Fiscal Emergency Analysis

Condition Three – Increase in Minimum Levy

Section 118.03(A)(3) of the Ohio Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation, county, or township for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Cuyahoga County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Ohio Revised Code, in the minimum levy of the City for 2015, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Cuyahoga County Budget Commission indicated that the Budget Commission had not taken any action for 2015 to increase the inside millage of the City, and no other subdivision's inside millage was reduced.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code as of January 31, 2015. The Cuyahoga County Budget Commission has not taken any action to increase the inside millage of the City, thus reducing another subdivision's millage.

Condition Four – Past Due Accounts Payable from the General Fund and All Funds

Section 118.03(A)(4) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year-end balance in the general fund, exceeded one-sixth of the general fund budget for that year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation, county, or township and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in the respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable. Accounts due and payable shall not include any account, or portion thereof, that is being contested in good faith.

We prepared a schedule of accounts payable as of December 31, 2014, that were due and payable from the general fund and from all funds that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2014, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties. The City had no outstanding accounts payable at December 31, 2014.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code. There were no accounts payable due from the general fund and from all funds that were at least thirty days past due as of December 31, 2014, which exceeded one-sixth of the general fund budget or one-sixth of the available revenues of the respective special funds.

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Condition Five – Deficit Fund Balances

Section 118.03(A)(5), of the Ohio Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds as of December 31, 2014, by subtracting all accounts payable and encumbrances from the year-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts of those deficit funds. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit.

Schedule I

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5)
As of December 31, 2014

Funds	Cash Fund Balances	Less: Encumbrances	Adjusted Aggregate Sum of Funds With Deficit Balances	One-Sixth General Fund Budget/ Fund Receipts	Unprovided Portion of Aggregate (Deficit)
General	(\$2,583,224)	\$111,575	(\$2,694,799)	\$2,163,684	(\$531,115)
Bond Retirement	(211,476)	0	(211,476)	131,702	(79,774)
	<u>(\$2,794,700)</u>	<u>\$111,575</u>	<u>(\$2,906,275)</u>	<u>\$2,295,386</u>	<u>(610,889)</u>
Funds available for transfer					<u>21,000</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u><u>(\$589,889)</u></u>

Section 118.03(B), Ohio Revised Code, provides in part:

Any year-end condition described in division (A)(5) of this section shall not constitute a fiscal emergency condition if the municipal corporation, county, or township clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State’s determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purpose of such demonstration, there shall be taken into account all deficit amounts of deficit funds, as at the time of such demonstration, rather than at the end of the fiscal year, and there shall be taken into account the moneys and marketable securities in the treasury of the municipal corporation, county, or township at the time of such demonstration that are, in the case of division (A)(5) of this section, held for the general fund or any special fund that may be transferred as provided in section 5705.14 of the Revised Code, to meet such deficit, provided that changes from the year-end condition resulting from transfers not authorized pursuant to Chapter 5705 of the Revised Code, borrowings or advances between funds, shall not be taken into account to demonstrate improvement in any fiscal emergency condition.

Conclusion: Schedule I indicates that a fiscal emergency condition exists under Sections 118.03(A)(5) of the Ohio Revised Code as of December 31, 2014. The total unprovided portion of aggregate deficit funds as of December 31, 2014 is \$589,889.

The City was not aware of any events nor were in position to present additional information that clearly demonstrated that condition five no longer existed at January 31, 2015.

City of Maple Heights, Cuyahoga County

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Condition Six – Treasury Deficiency

Section 118.03(A)(6), of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county, or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the City's reconciled bank balances to its fund cash balances as of December 31, 2014. From the treasury balance we subtracted the aggregate sum of all positive fund balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. We then subtracted from the treasury deficit one-sixth of the amount received into the treasury during 2014 to determine if a treasury deficiency exists.

Treasury Balances		Schedule II
Ohio Revised Code Section 118.03(A)(6)		
As of December 31, 2014		
Bank Cash Balance		
Key Bank General Checking Account	\$368,366	
Charter One Operating Account	3,456	
Key Bank Escrow Account	32,707	
Key Bank Mayor's Court Account	108,942	
STAR Ohio	8,329	
Petty Cash	3,000	
<i>Total Bank Cash</i>	<u>524,800</u>	
<i>Adjustments for:</i>		
Deposits in Transit	378	
Outstanding Checks	(561,839)	
<i>Total Adjustments</i>	<u>(561,461)</u>	
<i>Total Treasury Balance</i>	<u>(36,661)</u>	
Less: Positive Cash Fund Balances		
Rainy Day Contingency	21,000	
Computer Fee	136,607	
S/A Street Lighting	9,894	
Police Pension	1,276	
Fire Pension	1,276	
Water Use Charge	749,849	
Inmate Commissary	30,027	
Solid Waste Collections	605,130	
Ambulance Billing	39,314	
Recreation Donations	1,103	
Street Construction and Repair	136,530	
State Highway	46,325	
Municipal Motor Vehicle License	19,823	

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City of Maple Heights, Cuyahoga County

Fiscal Emergency Analysis

Schedule II
(continued)

Treasury Balances
Ohio Revised Code Section 118.03(A)(6)
As of December 31, 2014

Less: Positive Cash Fund Balances	
Drug Law Enforcement	\$132,341
Housing Foreclosure	113,358
Housing Revitalization	2,638
Capital Improvement	17,302
Street Improvement	31,963
Home Exterior Maintenance	1
Recreation Banners	2,150
DARE Program	8,273
Office on Aging Donations	6,629
Mayor's Court	95,251
Architectual-Engineering	4,367
Trust and Agency	518,653
Nutrition Agency	18,804
Enterprise Park	590
3 Percent OBBS Fees	7,565
Total Positive Cash Fund Balances	<u>2,758,039</u>
Treasury Deficit	(2,794,700)
One-Sixth Treasury Receipts	<u>3,391,743</u>
Treasury Surplus	<u><u>\$597,043</u></u>

Conclusion: Schedule II indicates that a fiscal emergency condition does not exist under Section 118.03(A)(6) of the Ohio Revised Code. The treasury balance less the positive fund balances as of December 31, 2014, did not exceed one-sixth of the receipts for the year.

Summary

A fiscal emergency is the existence of at least one of the above defined conditions. This analysis indicates that a fiscal emergency exists at the City of Maple Heights as defined in Sections 118.03(A)(1) and 118.03(A)(5) of the Ohio Revised Code as presented in Conditions 1 and 5.

Because the above procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you.

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CITY OF MAPLE HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 13, 2015**