

City of Maple Heights, Ohio

**Basic Financial Statements
December 31, 2009**



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Maple Heights, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 27, 2010

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City of Maple Heights, Ohio

For the Year Ended December 31, 2009

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Independent Auditors' Report

Members of the City Council
Maple Heights, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Heights, Ohio, (the "City") as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Municipal Income Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the City Council
Maple Heights, Ohio

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 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.

Cini & Panichi, Inc.

Cleveland, Ohio
June 30, 2010

City of Maple Heights, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2009

The discussion and analysis of the City of Maple Heights's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2009 are as follows:

- ◆ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$38,817,466. Of this amount, \$1,596,321 is considered unrestricted.
- ◆ The City's total net assets decreased in 2009. Net assets of governmental activities decreased \$1,619,814, which represents a four percent decrease from 2008. Net assets of business-type activities increased by \$137,981 in 2009.
- ◆ As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,528,784. Approximately \$2,209,672 of the total fund balance is considered unreserved at December 31, 2009.
- ◆ The general fund reported a fund balance of \$336,727 at the end of the current fiscal year. The unreserved fund balance for the General Fund was \$183,180.

Using this Annual Financial Report

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

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

Statement of Net Assets and the Statement of Activities

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

City of Maple Heights, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For the Year Ended December 31, 2009

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

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

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

Fund Financial Statements

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

Governmental Funds

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

The City of Maple Heights maintains 32 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General fund, and other major funds.

City of Maple Heights, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For the Year Ended December 31, 2009

Proprietary Funds

The City of Maple Heights maintains 2 different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its solid waste system, public transit system and advertising banner activity.

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

The basic proprietary fund financial statements can be found starting on page 22 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources are not available to support the City's own programs. The fiduciary fund financial statements can be found starting on page 25 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 26 of this report.

Government-wide Financial Analysis - City of Maple Heights as a Whole

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

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

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

City of Maple Heights, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For the Year Ended December 31, 2009

Table 1 provides a summary of the City's net assets for 2009 as compared to 2008.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current and other assets	\$ 15,981,702	\$ 19,488,864	\$ 543,805	\$ 535,639	\$ 16,525,507	\$ 20,024,503
Capital assets, net	<u>51,674,805</u>	<u>45,304,067</u>	<u>-</u>	<u>-</u>	<u>51,674,805</u>	<u>45,304,067</u>
<i>Total assets</i>	<u>67,656,507</u>	<u>64,792,931</u>	<u>543,805</u>	<u>535,639</u>	<u>68,200,312</u>	<u>65,328,570</u>
Liabilities						
Current liabilities	7,659,927	8,014,298	125,183	250,160	7,785,110	8,264,458
Long-term liabilities						
Due within one year	2,408,588	2,227,249	-	3,040	2,408,588	2,230,289
Due in more than one year	<u>19,189,148</u>	<u>14,532,699</u>	<u>-</u>	<u>1,798</u>	<u>19,189,148</u>	<u>14,534,497</u>
<i>Total liabilities</i>	<u>29,257,663</u>	<u>24,774,246</u>	<u>125,183</u>	<u>254,998</u>	<u>29,382,846</u>	<u>25,029,244</u>
Net assets						
Invested in capital assets, net of related debt	33,239,128	32,771,011	-	-	33,239,128	32,771,011
Restricted for:						
Capital projects	324,696	572,283	-	-	324,696	572,283
Debt service	180,771	174,573	-	-	180,771	174,573
Other purposes	3,476,550	4,008,663	-	-	3,476,550	4,008,663
Unrestricted	<u>1,177,699</u>	<u>2,492,155</u>	<u>418,622</u>	<u>280,641</u>	<u>1,596,321</u>	<u>2,772,796</u>
<i>Total net assets</i>	<u>\$ 38,398,844</u>	<u>\$ 40,018,685</u>	<u>\$ 418,622</u>	<u>\$ 280,641</u>	<u>\$ 38,817,466</u>	<u>\$ 40,299,326</u>

Net assets may serve over time as a useful indicator of a government's financial position. For the City of Maple Heights, total assets exceeded total liabilities by \$38,817,466 as of December 31, 2009. At the end of the current year, the City of Maple Heights is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities.

The largest portion of the City's net assets (85.6 percent) reflects the investments in capital assets less any related debt to acquire those assets that is still outstanding. These capital assets are used to provide services to the City's citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets reflects resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's on-going obligations to citizens and creditors. It is important to note that, although the total unrestricted net assets is \$1,596,321, the net assets of the City's business-type activities may not be used to fund governmental activities.

Total assets for 2009 increased \$2,871,742 or 4.40 percent when compared to 2008. The increase in total assets was mainly due to an increase in capital assets of \$6,370,738 due to increases in construction in progress and infrastructure additions. The City's total liabilities increased \$4,353,602 from 2008 to 2009. This is primarily from issuance of \$9,950,000 long-term notes in 2009, reduced by annual debt service payments; therefore, total net assets decreased by \$1,481,860 from 2008 to 2009.

City of Maple Heights, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For the Year Ended December 31, 2009

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

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Program revenues:						
Charges for services	\$ 4,276,175	\$ 5,053,562	\$ 1,640,143	\$ 1,924,099	\$ 5,916,318	\$ 6,977,661
Operating grants and contributions	860,239	958,763	-	-	860,239	958,763
Capital grants and contributions	690,546	520,708	-	-	690,546	520,708
Total program revenues	<u>5,826,960</u>	<u>6,533,033</u>	<u>1,640,143</u>	<u>1,924,099</u>	<u>7,467,103</u>	<u>8,457,132</u>
General revenues:						
Property taxes	6,063,989	5,767,109	-	-	6,063,989	5,767,109
Income taxes	6,987,287	7,706,650	-	-	6,987,287	7,706,650
Grants and entitlements	3,465,938	3,031,148	-	-	3,465,938	3,031,148
Investment earnings	79,029	53,160	-	-	79,029	53,160
Miscellaneous income	122,916	38,050	-	-	122,916	38,050
Total general revenues	<u>16,719,159</u>	<u>16,596,117</u>	<u>-</u>	<u>-</u>	<u>16,719,159</u>	<u>16,596,117</u>
Total revenues	<u>22,546,119</u>	<u>23,129,150</u>	<u>1,640,143</u>	<u>1,24,099</u>	<u>24,186,262</u>	<u>25,053,249</u>
Program expenses:						
General government	7,680,805	4,282,435	-	-	7,680,805	4,282,435
Security of persons and property	11,167,808	11,609,519	-	-	11,167,808	11,609,519
Public health services	89,771	113,265	-	-	89,771	113,265
Leisure time activities	915,722	685,009	-	-	915,722	685,009
Community environment	1,130,262	705,710	-	-	1,130,262	705,710
Basic utility services	1,335,286	1,275,498	-	-	1,335,286	1,275,498
Transportation	1,143,473	3,678,327	-	-	1,143,473	3,678,327
Interest	702,833	595,795	-	-	702,833	595,795
Water	-	-	1,502,162	1,562,754	1,502,162	1,562,754
Sewer	-	-	-	7,694	-	7,694
Total program expenses	<u>24,165,960</u>	<u>22,945,558</u>	<u>1,502,162</u>	<u>1,570,448</u>	<u>25,668,122</u>	<u>24,516,006</u>
Excess before transfers	(1,619,841)	183,592	137,981	353,651	(1,481,860)	537,243
Transfers	-	8,626	-	(8,626)	-	-
Change in net assets	(1,619,841)	192,218	137,981	345,025	(1,481,860)	537,243
Net assets at beginning of year	<u>40,018,685</u>	<u>39,826,467</u>	<u>280,641</u>	<u>(64,384)</u>	<u>40,299,326</u>	<u>39,762,083</u>
Net assets at end of year	\$ <u>38,398,844</u>	\$ <u>40,018,685</u>	\$ <u>418,622</u>	\$ <u>280,641</u>	\$ <u>38,817,466</u>	\$ <u>40,299,326</u>

City of Maple Heights, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For the Year Ended December 31, 2009

Governmental Activities

Governmental activities decreased the City's net assets by \$(1,619,841). The decrease in net assets was attributable to a decrease in revenues and increase in expenditures in 2009. Several types of revenue fund our governmental activities, with the City income tax being the largest contributor. The income tax rate was 2.5 percent for 2009. Both residents of the city and non-residents who work inside the City are subject to the income tax; however, if residents work in a municipality that has an income tax, the City provides 100 percent credit up to 2 percent for those who pay income tax to another city.

The income tax revenue for 2009 was \$6,987,287. Of the \$22,546,119 in total revenues, income tax accounts for 31.00 percent of that total. The decrease in income tax revenues from 2008 was 9.33 percent, mainly due to the slowed economy. Property taxes of \$6,063,989 account for 26.89 percent of total revenues and operating grants, capital grants and contributions, general revenues from grant entitlements account for 22.25 percent of total revenues and charges for services and other revenues make up the remaining 19.86 percent

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

Expenses increased by approximately \$1,220,402 from 2008 which was mainly attributed to the increase in the general government function, which was offset by the decrease in the transportation function. The largest program function for the City relates to security of persons and property. In 2009, 46.21 percent of program expenses for governmental activities were for the security of persons and property, which includes police, fire, jail, auxiliary police, school guards and safety dispatch. The next largest function was expenses for general government for 31.78 percent and basic utility services, which accounted for 5.53 percent of the expenses in 2009.

Business-Type Activities

The Business-type activities increased the City's net assets by \$137,981.

Program revenue exceeded program expense in the amount of \$137,981 for the solid waste collection operations for 2009. This is due to increased collections on refuse billings through special assessments charged by the Cuyahoga County Auditors office. In 2007 the Greater Cleveland Regional Transit Authority acquired the Maple Heights Transit department. 2008 activity for this fund accounted for the contribution of remaining assets to the City.

The City's Funds

Governmental Funds

Information about the City's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$42,324,712 and expenditures and other financing uses of \$46,209,923. The net change in fund balance for the year in the General Fund showed an increase in fund balance of \$142,550. The Capital Improvements Capital Projects Fund reflected a decrease of \$1,128,971. Overall the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole.

City of Maple Heights, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For the Year Ended December 31, 2009

General Fund Budgeting Highlights

For the General Fund, final budget basis revenue, including other financing sources was \$899,298 over the original budget estimates of \$15,423,658. Original General Fund budgeted expenditures, including other financing uses, were \$16,064,749; amended budgeted expenditures were \$16,577,214. Actual General Fund expenditures, including other financing uses were \$16,387,127, \$190,087 less than budgeted, reflecting management's commitment in reducing costs in changing economic times.

The difference between the General Fund's final budget and actual is mainly due to actual intergovernmental receipts exceeding projections.

Business-Type Funds

The City's proprietary funds provide the same information found in the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for the Solid Waste Collection, Maple Heights Transit and Recreation Banner Funds. The basic proprietary fund financial statements can be found on page 22 through 24 of this report.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2009, the City had \$51,674,805 invested in land, buildings, equipment, vehicles and infrastructure.

Table 3 shows fiscal 2009 balances of Capital Assets as compared to 2008:

Table 3
Capital Assets at December 31

	Governmental Activities	
	2009	2008
Land	\$ 180,871	\$ 180,871
Buildings	8,773,460	5,984,871
Equipment	1,257,774	927,856
Vehicles	5,480,772	5,051,922
Infrastructure:		
Roads	26,403,148	24,956,570
Traffic signals	2,895,701	2,895,701
Sidewalks	1,424,833	1,305,802
Storm sewers	21,703,762	21,534,486
Construction in progress	3,846,035	1,382,498
Less: accumulated depreciation	<u>(20,291,551)</u>	<u>(18,916,510)</u>
Total capital assets	\$ <u>51,674,805</u>	\$ <u>45,304,067</u>

City of Maple Heights, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For the Year Ended December 31, 2009

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

Capital assets for governmental activities increased \$6,370,738 mainly due to construction in progress, infrastructure, and building additions related to the Stafford Pool renovations, 2009 roads program and the City Hall reconstruction project. These increases were offset by accumulated depreciation of \$1,796,717.

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

Debt

At December 31, 2009, the City had \$18,791,289 in outstanding bonds, notes and loans of which \$5,731,477 was in general obligation bonds. Table 4 summarizes the outstanding obligations of the City.

Table 4
Outstanding Debt at Year End

	Governmental Activities	
	2009	2008
General obligation bonds	\$ 5,731,477	\$ 6,454,517
OWDA loans	1,422,953	1,609,697
OPWC loans	1,313,759	1,093,254
Long-term notes	9,950,000	5,000,000
Capital lease payable	17,488	25,949
Accrued police and fire pension liability	<u>355,612</u>	<u>363,222</u>
Total	\$ <u>18,791,289</u>	\$ <u>14,546,639</u>

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

The general obligation bonds are composed of 1998 Capital Purpose and Refunding 2000 Capital Purpose Bonds and 2004 Various Purpose Bonds. The OWDA and OPWC loans are reported with governmental activities with some of the debt costs paid from revenues collected from storm sewer charges. The OPWC loan for the East 141st Street and Maple Heights improvement is pending upon completion of the project in 2010. As of December 31, 2009, only \$252,848 of the original projected loan of \$355,420 has been received by the City.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10.5 percent of total assessed valuation. The City's net legal debt margin within the 10.5 percent limit was \$26,425,932 at December 31, 2009.

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

City of Maple Heights, Ohio

Management's Discussion and Analysis (Unaudited) (continued)

For the Year Ended December 31, 2009

Current Related Financial Activities

In 2009, the City borrowed \$9,950,000 in notes to help finance an aggressive capital improvement program. This program included street resurfacing and repair throughout the City, the purchase of new service vehicles, the demolition of the old city pools at Stafford and Dunham Park, the construction of a new city pool at Stafford Park, and the rehabilitation of City Hall. Due to the financing of these projects, the city was able to maintain its cash balance and take advantage of the low interest rates available in today's financial marketplace.

Due to favorable bond market interest rates, the City is planning on converting its outstanding notes into bonds in 2010. The City also plans on refinancing its 1998 and 2000 bonds. In 2010, the City is pursuing federal and state grants for various projects throughout the City. After addition almost ten million in debt the last two years, all ongoing projects are required to be financed with these grants to ensure the City maintains a manageable debt burden. Due to the timing of some grant reimbursements, the City is considering issuing notes to pay for upfront construction costs. All future notes borrowed are expected to be repaid when grant proceeds are received.

Financial conditions have negatively affected the City's revenue projections. Assessed property values have decreased by eight percent in 2009, and are expected to continue a decline in future years. Income tax projections are expected to decline five to ten percent due to slower economic activity. In 2010 and beyond, the City plans on reviewing operating costs and implement cost cutting measures to adjust for the decline in expected revenue.

Contacting the City of Maple Heights's Finance Department

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

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City of Maple Heights, Ohio

Statement of Net Assets

December 31, 2009

	Governmental Activities	Business - Type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 3,393,956	\$ 122,725	\$ 3,516,681
Accounts receivable	267,702	-	267,702
Intergovernmental receivable	2,576,773	-	2,576,773
Materials and supplies inventory	83,655	-	83,655
Prepays	79,107	-	79,107
Restricted cash and cash equivalents	92,578	-	92,578
Special assessments receivable	588,237	421,080	1,009,317
Municipal income taxes receivable	2,897,895	-	2,897,895
Property taxes receivable	5,943,905	-	5,943,905
Deferred charges	57,894	-	57,894
Non-depreciable capital assets	4,026,906	-	4,026,906
Depreciable capital assets, net	<u>47,647,899</u>	<u>-</u>	<u>47,647,899</u>
Total assets	<u>67,656,507</u>	<u>543,805</u>	<u>68,200,312</u>
Liabilities:			
Accounts payable	1,076,561	125,114	1,201,675
Accrued wages and benefits	621,504	-	621,504
Intergovernmental payable	537,132	69	537,201
Retainage payable	92,578	-	92,578
Matured compensated absences	5,847	-	5,847
Accrued interest payable	142,198	-	142,198
Unearned revenue	4,787,803	-	4,787,803
Deferred charges	52,539	-	52,539
Claims payable	343,765	-	343,765
Long-term liabilities:			
Due within one year	2,408,588	-	2,408,588
Due in more than one year	<u>19,189,148</u>	<u>-</u>	<u>19,189,148</u>
Total liabilities	<u>29,257,663</u>	<u>125,183</u>	<u>29,382,846</u>
Net assets:			
Invested in capital assets, net of related debt	33,239,128	-	33,239,128
Restricted for:			
Capital projects	324,696	-	324,696
Debt service	180,771	-	180,771
Streets and highways	345,191	-	345,191
Street lighting	378,420	-	378,420
Other purposes	2,752,939	-	2,752,939
Unrestricted	<u>1,177,699</u>	<u>418,622</u>	<u>1,596,321</u>
Total net assets	<u>\$ 38,398,844</u>	<u>\$ 418,622</u>	<u>\$ 38,817,466</u>

The accompanying notes are an integral part of these financial statements

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City of Maple Heights, Ohio

Statement of Activities

For the Year Ended December 31, 2009

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 7,680,805	\$ 1,273,155	\$ -	\$ 475,324
Security of persons and property	11,167,808	1,159,604	7,685	100,000
Public health services	89,771	1,159	-	-
Leisure time activities	915,722	54,951	23,096	-
Community development	1,130,262	1,021,265	-	115,222
Public works	1,335,286	679,035	-	-
Transportation	1,143,473	87,006	829,458	-
Interest	702,833	-	-	-
Total governmental activities	<u>24,165,960</u>	<u>4,276,175</u>	<u>860,239</u>	<u>690,546</u>
Business-type activities:				
Solid waste collection	<u>1,502,162</u>	<u>1,640,143</u>	<u>-</u>	<u>-</u>
Total	\$ <u>25,668,122</u>	\$ <u>5,916,318</u>	\$ <u>860,239</u>	\$ <u>690,546</u>

General revenues:
 Property and other local taxes levied for:
 General purposes
 Other purposes
 Municipal income taxes levied for:
 General purposes
 Grants and entitlements not restricted to
 specific programs
 Investment income
 Miscellaneous income
 Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of these financial statements

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-</u>	
<u>Activities</u>	<u>Type</u>	<u>Total</u>
<u>Activities</u>	<u>Activities</u>	
\$ (5,932,326)	\$ -	\$ (5,932,326)
(9,900,519)	-	(9,900,519)
(88,612)	-	(88,612)
(837,675)	-	(837,675)
6,225	-	6,225
(656,251)	-	(656,251)
(227,009)	-	(227,009)
<u>(702,833)</u>	<u>-</u>	<u>(702,833)</u>
<u>(18,339,000)</u>	<u>-</u>	<u>(18,339,000)</u>
<u>-</u>	<u>137,981</u>	<u>137,981</u>
<u>(18,339,000)</u>	<u>137,981</u>	<u>(18,201,019)</u>
3,089,050	-	3,089,050
2,974,939	-	2,974,939
6,987,287	-	6,987,287
3,465,938	-	3,465,938
79,029	-	79,029
<u>122,916</u>	<u>-</u>	<u>122,916</u>
<u>16,719,159</u>	<u>-</u>	<u>16,719,159</u>
(1,619,841)	137,981	(1,481,860)
<u>40,018,685</u>	<u>280,641</u>	<u>40,299,326</u>
\$ <u><u>38,398,844</u></u>	\$ <u><u>418,622</u></u>	\$ <u><u>38,817,466</u></u>

City of Maple Heights, Ohio

Balance Sheet Governmental Funds

December 31, 2009

	<u>General</u>	<u>Municipal Income Tax</u>	<u>Bond Retirement</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Equity in pooled cash and investments	\$ 986,220	\$ -	\$ 4,698	\$ 22,299	\$ 2,380,739	\$ 3,393,956
Accounts receivable	-	11,182	-	-	256,520	267,702
Intergovernmental receivable	1,094,069	-	64,855	320,700	1,097,149	2,576,773
Materials and supplies inventory	46,038	-	-	-	37,617	83,655
Prepays	79,107	-	-	-	-	79,107
Interfund receivable	-	-	-	-	63,466	63,466
Restricted cash and cash equivalents	-	-	-	92,578	-	92,578
Special assessments receivable	588,237	-	-	-	-	588,237
Municipal income taxes receivable	-	2,897,895	-	-	-	2,897,895
Property taxes receivable	<u>2,812,409</u>	<u>-</u>	<u>984,022</u>	<u>-</u>	<u>2,147,474</u>	<u>5,943,905</u>
Total assets	<u>\$ 5,606,080</u>	<u>\$ 2,909,077</u>	<u>\$ 1,053,575</u>	<u>\$ 435,577</u>	<u>\$ 5,982,965</u>	<u>\$ 15,987,274</u>
Liabilities and fund balances:						
Liabilities:						
Accounts payable	\$ 144,693	\$ -	\$ -	\$ 809,405	\$ 122,463	\$ 1,076,561
Accrued wages and benefits	222,336	-	-	-	399,168	621,504
Intergovernmental payable	429,618	-	-	-	107,514	537,132
Retainage payable	-	-	-	92,578	-	92,578
Matured compensated absences	5,847	-	-	-	-	5,847
Interfund payable	-	63,466	-	-	-	63,466
Claims payable	343,765	-	-	-	-	343,765
Deferred revenue	<u>4,123,094</u>	<u>2,421,155</u>	<u>1,048,877</u>	<u>100,000</u>	<u>3,024,511</u>	<u>10,717,637</u>
Total liabilities	<u>5,269,353</u>	<u>2,484,621</u>	<u>1,048,877</u>	<u>1,001,983</u>	<u>3,653,656</u>	<u>13,458,490</u>
Fund balances:						
Reserved for encumbrances	28,402	-	-	109,788	18,160	156,350
Reserved for inventory	46,038	-	-	-	37,617	83,655
Reserved for prepays	79,107	-	-	-	-	79,107
Unreserved (deficit); reported in:						
General fund	183,180	-	-	-	-	183,180
Debt service fund	-	-	4,698	-	-	4,698
Capital projects fund	-	-	-	(676,194)	322,202	(353,992)
Special revenue funds	<u>-</u>	<u>424,456</u>	<u>-</u>	<u>-</u>	<u>1,951,330</u>	<u>2,375,786</u>
Total fund balances	<u>336,727</u>	<u>424,456</u>	<u>4,698</u>	<u>(566,406)</u>	<u>2,329,309</u>	<u>2,528,784</u>
Total liabilities and fund balances	<u>\$ 5,606,080</u>	<u>\$ 2,909,077</u>	<u>\$ 1,053,575</u>	<u>\$ 435,577</u>	<u>\$ 5,982,965</u>	<u>\$ 15,987,274</u>

The accompanying notes are an integral part of these financial statements

City of Maple Heights, Ohio

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

December 31, 2009

Total governmental funds balances \$ 2,528,784

Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. 51,674,805

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

Property and other taxes	\$ 1,156,103	
Municipal income taxes	2,421,155	
Special assessments	588,237	
Charges for services	143,285	
Water use	289,793	
Intergovernmental	<u>1,331,261</u>	
Total		5,929,834

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental Funds, an interest expenditure is reported when due. (142,198)

Premium and issuance costs on general obligation bonds are reported in net assets and not reported in the funds. 5,355

Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.

General obligation bonds	(5,731,477)	
OWDA loans	(1,422,953)	
OPWC loans	(1,313,759)	
Long-term notes payable	(9,950,000)	
Capital leases payable	(17,488)	
Accrued police and fire pension liability	(355,612)	
Accrued compensated absences	<u>(2,806,447)</u>	
Total		<u>(21,597,736)</u>

Net assets of governmental activities \$ 38,398,844

The accompanying notes are an integral part of these financial statements

City of Maple Heights, Ohio

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

For the Year Ended December 31, 2009

	General	Municipal Income Tax	Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 2,983,535	\$ -	\$ 731,053	\$ -	\$ 2,099,435	\$ 5,814,023
Municipal income taxes	-	6,746,932	-	-	-	6,746,932
Intergovernmental	2,760,412	-	123,264	568,713	1,610,125	5,062,514
Special assessments	192,735	-	-	-	-	192,735
Charges for services	582,543	-	-	-	1,133,101	1,715,644
Fines, licenses and permits	1,311,984	-	-	-	420,067	1,732,051
Interest income	16,443	-	62,586	-	-	79,029
Miscellaneous income	213,806	72,971	-	-	119,529	406,306
Total revenues	<u>8,061,458</u>	<u>6,819,903</u>	<u>916,903</u>	<u>568,713</u>	<u>5,382,257</u>	<u>21,749,234</u>
Expenditures:						
Current operations and maintenance:						
Security of persons and property	7,015,576	-	-	-	3,547,482	10,563,058
Public health services	89,771	-	-	-	-	89,771
Leisure time activities	902,883	-	-	-	8,375	911,258
Community development	826,926	-	-	-	261,356	1,088,282
Public works	872,341	-	-	-	856,546	1,728,887
Transportation	-	-	-	-	1,165,523	1,165,523
General government	5,328,646	136,880	47,903	-	495,785	6,009,214
Capital outlay	-	-	-	7,100,532	620,362	7,720,894
Debt service:						
Principal retirement	8,461	-	5,794,488	-	186,744	5,989,693
Interest	1,101	-	600,119	-	65,646	666,866
Total expenditures	<u>15,045,705</u>	<u>136,880</u>	<u>6,442,510</u>	<u>7,100,532</u>	<u>7,207,819</u>	<u>35,933,446</u>
Excess of revenues over (under) expenditures	<u>(6,984,247)</u>	<u>6,683,023</u>	<u>(5,525,607)</u>	<u>(6,531,819)</u>	<u>(1,825,562)</u>	<u>(14,184,212)</u>
Other financing sources (uses):						
Issuance of debt	-	-	5,039,105	5,202,848	-	10,241,953
Premium on long-term debt issued	-	-	57,048	-	-	57,048
Transfers-in	8,240,913	-	411,448	200,000	1,424,116	10,276,477
Transfers-out	<u>(1,114,116)</u>	<u>(8,460,913)</u>	<u>-</u>	<u>-</u>	<u>(701,448)</u>	<u>(10,276,477)</u>
Total other financing sources (uses)	<u>7,126,797</u>	<u>(8,460,913)</u>	<u>5,507,601</u>	<u>5,402,848</u>	<u>722,668</u>	<u>10,299,001</u>
Net change in fund balances	142,550	(1,777,890)	(18,006)	(1,128,971)	(1,102,894)	(3,885,211)
Fund balances at beginning of year	<u>194,177</u>	<u>2,202,346</u>	<u>22,704</u>	<u>562,565</u>	<u>3,432,203</u>	<u>6,413,995</u>
Fund balances at end of year	\$ <u>336,727</u>	\$ <u>424,456</u>	\$ <u>4,698</u>	\$ <u>(566,406)</u>	\$ <u>2,329,309</u>	\$ <u>2,528,784</u>

The accompanying notes are an integral part of these 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, 2009

Net change in fund balances - total governmental funds \$ (3,885,211)

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

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

Capital outlay	\$ 8,220,984	
Depreciation	<u>(1,796,717)</u>	
Total		6,424,267

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets. (53,529)

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

Property and other taxes	249,966	
Municipal income taxes	240,355	
Special assessments	211,649	
Charges for services	21,482	
Water use	33,563	
Intergovernmental	<u>11,372</u>	
Total		768,387

Repayments of bond, loan and capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 5,997,303

Proceeds from debt issues and notes, reported as an other financing source, provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Assets.

Note proceeds	(9,950,000)	
OPWC loans	<u>(291,953)</u>	
Total		(10,241,953)

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.

Premium and issuance costs on bonds	(1,179)	
Accrued compensated absences	(593,138)	
Accrued interest payable	<u>(34,788)</u>	
Total		<u>(629,105)</u>

Change in net assets of governmental activities \$ (1,619,841)

The accompanying notes are an integral part of these financial statements

City of Maple Heights, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund

For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 3,175,280	\$ 3,175,280	\$ 2,983,535	\$ (191,745)
Intergovernmental	2,782,867	3,259,706	2,707,369	(552,337)
Charges for services	675,025	790,689	656,712	(133,977)
Fines, licenses and permits	1,355,706	1,588,003	1,318,926	(269,077)
Special assessments	198,110	232,055	192,735	(39,320)
Investment income	16,902	19,798	16,443	(3,355)
Miscellaneous income	219,768	257,425	213,806	(43,619)
Total revenues	<u>8,423,658</u>	<u>9,322,956</u>	<u>8,089,526</u>	<u>(1,233,430)</u>
Expenditures:				
Current operations and maintenance:				
Security of persons and property	8,541,678	7,370,918	7,360,831	10,087
Public health services	95,000	97,777	97,197	580
Leisure time activities	745,445	924,114	907,870	16,244
Community development	612,792	806,700	795,009	11,691
Public works	902,478	882,441	868,380	14,061
General government	4,167,356	5,345,264	5,208,576	136,688
Total expenditures	<u>15,064,749</u>	<u>15,427,214</u>	<u>15,237,863</u>	<u>189,351</u>
Excess of revenues over (under) expenditures	<u>(6,641,091)</u>	<u>(6,104,258)</u>	<u>(7,148,337)</u>	<u>(1,044,079)</u>
Other financing sources (uses):				
Transfers-in	7,000,000	7,000,000	8,240,913	1,240,913
Transfers-out	<u>(1,000,000)</u>	<u>(1,150,000)</u>	<u>(1,149,264)</u>	<u>736</u>
Total other financing sources (uses)	<u>6,000,000</u>	<u>5,850,000</u>	<u>7,091,649</u>	<u>1,241,649</u>
Net change in fund balance	(641,091)	(254,258)	(56,688)	197,570
Prior year encumbrances appropriated	41,290	41,290	41,290	-
Fund balance at beginning of year	<u>967,722</u>	<u>967,722</u>	<u>967,722</u>	<u>-</u>
Fund balance at end of year	\$ <u>367,921</u>	\$ <u>754,754</u>	\$ <u>952,324</u>	\$ <u>197,570</u>

The accompanying notes are an integral part of these financial statements

City of Maple Heights, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Municipal Income Tax Fund

For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Municipal income taxes	\$ 7,128,266	\$ 7,251,155	\$ 7,251,155	\$ -
Miscellaneous income	<u>71,734</u>	<u>72,971</u>	<u>72,971</u>	<u>-</u>
Total revenues	7,200,000	7,324,126	7,324,126	-
Expenditures:				
Current operations and maintenance:				
General government	<u>200,000</u>	<u>136,880</u>	<u>136,880</u>	<u>-</u>
Excess of revenues over (under) expenditures	7,000,000	7,187,246	7,187,246	-
Other financing sources (uses):				
Transfers-out	<u>(8,000,000)</u>	<u>(8,460,913)</u>	<u>(8,460,913)</u>	<u>-</u>
Net change in fund balance	(1,000,000)	(1,273,667)	(1,273,667)	-
Fund balance at beginning of year	<u>1,273,667</u>	<u>1,273,667</u>	<u>1,273,667</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>273,667</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements

City of Maple Heights, Ohio

Statement of Fund Net Assets Proprietary Funds

December 31, 2009

	<u>Solid Waste Collection</u>	<u>Recreation Banner</u>	<u>Total</u>
Assets:			
Current assets:			
Equity in pooled cash and investments	\$ 106,305	\$ 16,420	\$ 122,725
Special assessments receivable	<u>421,080</u>	<u>-</u>	<u>421,080</u>
Total assets	<u>527,385</u>	<u>16,420</u>	<u>543,805</u>
Liabilities:			
Current liabilities:			
Accounts payable	125,114	-	125,114
Intergovernmental payable	<u>69</u>	<u>-</u>	<u>69</u>
Total liabilities	<u>125,183</u>	<u>-</u>	<u>125,183</u>
Net assets:			
Unrestricted	\$ <u>402,202</u>	\$ <u>16,420</u>	\$ <u>418,622</u>

The accompanying notes are an integral part of these financial statements

City of Maple Heights, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For the Year Ended December 31, 2009

	Solid Waste Collection	Recreation Banner	Total
Operating revenues:			
Charges for services	\$ <u>1,640,143</u>	\$ <u>-</u>	\$ <u>1,640,143</u>
Operating expenses:			
Personal services	120,379	-	120,379
Contractual services	<u>1,381,783</u>	<u>-</u>	<u>1,381,783</u>
Total operating expenses	<u>1,502,162</u>	<u>-</u>	<u>1,502,162</u>
Change in net assets	137,981	-	137,981
Net assets at beginning of year	<u>264,221</u>	<u>16,420</u>	<u>280,641</u>
Net assets at end of year	\$ <u><u>402,202</u></u>	\$ <u><u>16,420</u></u>	\$ <u><u>418,622</u></u>

The accompanying notes are an integral part of these financial statements

City of Maple Heights, Ohio

Statement of Cash Flows Proprietary Funds

For the Year Ended December 31, 2009

	<u>Solid Waste Collection</u>	<u>Recreation Banner</u>	<u>Total</u>
Increase in cash and cash equivalents:			
Cash flows from operating activities:			
Cash received from customers	\$ 1,503,329	\$ -	\$ 1,503,329
Cash payments for contractual services	(1,629,885)	-	(1,629,885)
Cash payments for personal services	<u>(2,092)</u>	<u>-</u>	<u>(2,092)</u>
Net increase in cash and cash equivalents	(128,648)	-	(128,648)
Cash and cash equivalents at beginning of year	<u>234,953</u>	<u>16,420</u>	<u>251,373</u>
Cash and cash equivalents at end of year	\$ <u><u>106,305</u></u>	\$ <u><u>16,420</u></u>	\$ <u><u>122,725</u></u>
Reconciliation of operating income to net cash from operating activities			
Operating income	\$ 137,981	\$ -	\$ 137,981
Changes in assets/liabilities:			
Increase in special assessments receivable	(136,814)	-	(136,814)
Decrease in accounts payable	(121,264)	-	(121,264)
Decrease in accrued wages	(1,990)	-	(1,990)
Decrease in intergovernmental payable	(1,723)	-	(1,723)
Decrease in accrued compensated absences	<u>(4,838)</u>	<u>-</u>	<u>(4,838)</u>
Net cash used for operating activities	\$ <u><u>(128,648)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(128,648)</u></u>

The accompanying notes are an integral part of these financial statements

City of Maple Heights, Ohio

Statement of Fiduciary Assets and Liabilities Fiduciary Funds

December 31, 2009

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,610,732
Cash and cash equivalents in segregated accounts	<u>8,625</u>
Total assets	\$ <u><u>1,619,357</u></u>
Liabilities:	
Accounts payable	\$ 369
Intergovernmental payable	41,231
Deposits held and due to others	<u>1,577,757</u>
Total liabilities	\$ <u><u>1,619,357</u></u>

The accompanying notes are an integral part of these financial statements

City of Maple Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

Note 1: The Reporting Entity

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

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. The City provides various services including police and fire protection, health, parks and recreation, street maintenance, planning and zoning, sewer services, Mayor’s court, community development, public transit, senior adult and general administrative services. The operation of these activities is directly controlled by Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

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

Note 2: Summary of Significant Accounting Policies

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid doubling up revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and 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.

B. Fund Accounting

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The General Fund accounts for all financial resources except those required to be accounted for in another fund. The 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.

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

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

Capital Improvements Fund - To account for the cost of various expenditures for various capital improvements.

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

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

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

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

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

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

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6).

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, have been recorded as deferred revenue. Grants and entitlements not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Expenses/Expenditures

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

E. Budgetary Process

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

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

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the balance sheet.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents (continued)

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

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

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of December 31, 2009:

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

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

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

During 2009, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), STAROhio is an investment pool managed by the State Treasurer's Office. STAROhio which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2009.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2009 amounted to \$16,443.

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 (continued)

For the Year Ended December 31, 2009

Note 2: Summary of Significant Accounting Policies (continued)

G. Inventory

Inventories are stated at cost, on the first-in, first-out basis. At December 31, 2009, the General Fund and Street Construction, Maintenance and Repair Special Revenue Fund maintained the only significant inventory. The costs of governmental fund type inventories are recorded as expenditures in the fund when purchased. The reserve for inventory indicates that a portion of the fund balance is not available for future expenditures. For proprietary funds, inventory is expended when consumed.

H. Prepays

Payments made to vendors for services that will benefit periods beyond December 31, 2009 are recorded as prepaid items using the allocation method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year which it was consumed.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of curbs, sidewalks, storm sewers, streets, irrigation systems and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized. All capital assets are depreciated except for land and construction in progress.

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

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

For 2009, infrastructure capital assets were calculated without the City's water mains. The infrastructure assets will be completed in 2010 with inclusion of this item to the capital assets.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 2: Summary of Significant Accounting Policies (continued)

J. Interfund Balances

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

K. Compensated Absences

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance Reserves

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 2: Summary of Significant Accounting Policies (continued)

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide Statement of Net Assets reports \$3,982,017 of restricted net assets, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for police services, fire services, ambulance and grants.

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for waste collection and advertising. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this description are reported as non-operating.

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Q. Interfund Activity

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

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 2: Summary of Significant Accounting Policies (continued)

S. Estimates

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

T. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 30, 2010, the date the financial statements were available to be issued.

Note 3: Change in Accounting Principles

For 2009, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, GASB Statement No. 55, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements on Auditing Standards*.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations and subsequent events from the AICPA literature. The implementation of this statement did not result in any change to the financial statements.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 4: Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are identified as follows:

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

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

	<u>Net Change in Fund Balance</u>	
	<u>General</u>	<u>Municipal Income Tax</u>
GAAP basis	\$ 142,550	\$ (1,777,890)
Increase (decrease) due to:		
Revenue accruals	28,068	504,223
Expenditure accruals	(193,410)	-
Outstanding encumbrances	<u>(33,896)</u>	<u>-</u>
Budget basis	\$ <u>(56,688)</u>	\$ <u>(1,273,667)</u>

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 5: Deposits and Investments

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

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

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

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

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

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 5: Deposits and Investments (continued)

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

Deposits

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

At year-end, the carrying amount of the City's deposits was \$5,217,313 and the bank balance was \$5,461,632, all of which was covered by Federal depository insurance. At December 31, 2009, the City had \$3,000 in undeposited cash on hand, which is included as part of "equity in pooled cash and investments".

Investments

Investments are reported at fair value. As of December 31, 2009, the city had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
STAROhio	\$ <u>8,303</u>	<u>N/A</u>

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 5: Deposits and Investments (continued)

Investments (continued)

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

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

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The City's investment policy requires diversification of the portfolio and indicates that no more than 20 percent of available funds are to be invested in individual U.S. Government Securities. The following is the City's allocation as of December 31, 2009, which is in compliance with the City's investment policy:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
STAROhio	100%

Note 6: Receivables

A. Property Taxes

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

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2009 is zero percent.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 6: Receivables (continued)

A. Property Taxes (continued)

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

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

The County treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Maple Heights. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2009, was \$15.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Category:	<u>Assessed Value</u>
Real estate	\$ 423,309,630
Public utility	7,333,260
Tangible personal	<u>10,685,030</u>
Total	<u>\$ 441,327,920</u>

B. Income Taxes

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

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 6: Receivables (continued)

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

Governmental activities:	
Local governmental	\$ 712,313
Homestead and rollback	422,811
Gasoline tax	316,411
Estate taxes	44,650
Motor vehicle license fees	73,730
CAT tax reimbursement	75,320
Permissive tax	10,201
Water use fees	394,994
Prisoner housing reimbursements	42,533
Court costs	41,267
City of Cleveland reimbursement	14,488
Cuyahoga County grant reimbursements	<u>428,055</u>
Total governmental activities	\$ <u>2,576,773</u>

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 7: Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	<u>Balances</u> <u>12/31/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/09</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 180,871	\$ -	\$ -	\$ 180,871
Construction in progress	<u>1,382,498</u>	<u>6,801,879</u>	<u>(4,338,342)</u>	<u>3,846,035</u>
Total non-depreciable assets	<u>1,563,369</u>	<u>6,801,879</u>	<u>(4,338,342)</u>	<u>4,026,906</u>
Capital assets being depreciated:				
Buildings	5,984,871	2,788,589	-	8,773,460
Equipment	927,856	329,918	-	1,257,774
Vehicles	5,051,922	904,055	(475,205)	5,480,772
Infrastructure:				
Roads	24,956,570	1,446,578	-	26,403,148
Traffic signals	2,895,701	-	-	2,895,701
Storm sewers	21,534,486	169,276	-	21,703,762
Sidewalks	<u>1,305,802</u>	<u>119,031</u>	<u>-</u>	<u>1,424,833</u>
Total capital assets being depreciated	<u>62,657,208</u>	<u>5,757,447</u>	<u>(475,205)</u>	<u>67,939,450</u>
Less accumulated depreciation:				
Buildings	(3,624,471)	(281,290)	-	(3,905,761)
Equipment	(395,993)	(101,648)	-	(497,641)
Vehicles	(2,828,683)	(308,875)	421,676	(2,715,882)
Infrastructure:				
Roads	(6,593,033)	(637,731)	-	(7,230,764)
Traffic signals	(1,127,071)	(144,785)	-	(1,271,856)
Storm sewers	(3,942,407)	(288,255)	-	(4,230,662)
Sidewalks	<u>(404,852)</u>	<u>(34,133)</u>	<u>-</u>	<u>(438,985)</u>
Total accumulated depreciation	<u>(18,916,510)</u>	<u>(1,796,717)</u>	<u>421,676</u>	<u>(20,291,551)</u>
Net capital assets being depreciated	<u>43,740,698</u>	<u>3,960,730</u>	<u>(53,529)</u>	<u>47,647,899</u>
Governmental activities capital assets, net	\$ <u>45,304,067</u>	\$ <u>10,762,609</u>	\$ <u>(4,391,871)</u>	\$ <u>51,674,805</u>

Depreciation expense was charged to governmental activities as follows:

Security of persons and property	\$ 477,225
Leisure time activities	72,666
Public works	399,367
Transportation	782,515
General government	<u>64,944</u>
Total	\$ <u>1,796,717</u>

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 8: Note Debt

Note debt activity for the year ended December 31, 2009 consisted of the following:

	<u>Balances</u> <u>12/31/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/09</u>
2.60% 2008 Street Improvements, maturing 7/1/2009	\$ 2,500,000	\$ -	\$ 2,500,000	\$ -
2.60% 2008 Vehicles, maturing 7/1/2009	500,000	-	500,000	-
2.60% 2008 City Recreation Improvements, maturing 7/1/2009	1,750,000	-	1,750,000	-
2.60% 2008 City Hall Improvements, maturing 7/1/2009	250,000	-	250,000	-
1.36% 2009 Various Equipment and Improvements, maturing 7/1/2010	-	5,000,000	-	5,000,000
1.36% 2009 Street Improvements, maturing 7/1/2010	-	3,400,000	-	3,400,000
1.36% 2009 City Hall Improvements, maturing 7/1/2010	-	1,000,000	-	1,000,000
1.33% 2009 Vehicles, maturing 7/1/2010	-	550,000	-	550,000
Total long-term notes	\$ <u>5,000,000</u>	\$ <u>9,950,000</u>	\$ <u>5,000,000</u>	\$ <u>9,950,000</u>

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

There are also limitations on the number of times notes can be renewed. All notes outstanding at year-end are bond anticipation notes. The notes will be refinanced until the City determines it to be advantageous to issue bonds.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 9: Long-Term Obligations

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

<u>Debt Issue</u>	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
General Obligation Bonds:			
Capital Purpose and Refunding	1998	3.75% - 4.95%	\$ 5,557,480
Capital Purpose Bonds	2000	4.70% - 5.25%	2,995,000
General Obligation Various Purpose	2004	2.00% - 5.25%	4,110,000
OWDA Loans:			
Kenyon/Gardenview Sewer Improvements	1996	4.16%	2,515,205
Phase I Sewer Improvements	1996	4.35%	765,161
Phase II Sewer Improvements	1997	4.04%	110,426
OPWC Loans:			
Maplewood/Northwood Sewer Improvements	1994	0%	686,898
Southgate Park/Lee Road South Improvements	1997	0%	185,649
Industrial Avenue/East 141 st Improvements	2003	0%	556,403
Northfield Road Improvements	2005	0%	360,000
East 141 st Street and Maple Heights Improvements	2009	0%	252,845*

* Amount may change upon completion of project in 2009.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 9: Long-Term Obligations (continued)

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2009 was as follows:

	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/09</u>	<u>Due in</u> <u>One</u> <u>Year</u>
Governmental activities:					
General obligation bonds:					
Capital Purpose and Refunding, due 2011	\$ 1,354,517	\$ -	\$ 288,040	\$ 1,066,477	\$ 278,353
Capital Purpose Bonds, due 2020	2,135,000	-	135,000	2,000,000	140,000
Various Purpose Bonds, due 2018	<u>2,965,000</u>	<u>-</u>	<u>300,000</u>	<u>2,665,000</u>	<u>305,000</u>
Total general obligation bonds	<u>6,454,517</u>	<u>-</u>	<u>723,040</u>	<u>5,731,477</u>	<u>723,353</u>
OWDA Loans:					
Kenyon/Gardenview Sewer, due 2016	1,190,926	-	138,362	1,052,564	144,177
Phase I Sewer, due 2016	365,721	-	42,218	323,503	44,075
Phase II Sewer, due 2016	<u>53,050</u>	<u>-</u>	<u>6,164</u>	<u>46,886</u>	<u>6,416</u>
Total OWDA loans	<u>1,609,697</u>	<u>-</u>	<u>186,744</u>	<u>1,422,953</u>	<u>194,668</u>
OPWC Loans:					
Maplewood/Northwood Sewers, due 2016	257,587	-	34,345	223,242	34,345
Southgate Park/Lee Road South, due 2019	97,469	-	9,282	88,187	9,282
Industrial Avenue/E.141, due 2023	417,303	-	27,821	389,482	27,820
Northfield Road, due 2030	320,895	39,105	-	360,000	9,000
East 141 st Street and Maple Heights	<u>-</u>	<u>252,848</u>	<u>-</u>	<u>252,848</u>	<u>-</u>
Total OPWC loans	<u>1,093,254</u>	<u>291,953</u>	<u>71,448</u>	<u>1,313,759</u>	<u>80,447</u>
Other long-term obligations:					
Capital leases payable	25,949	-	8,461	17,488	8,846
Long-term notes payable	5,000,000	9,950,000	5,000,000	9,950,000	-
Accrued compensated absences	2,213,309	1,810,251	1,217,113	2,806,447	1,393,336
Accrued police and fire pension liability	<u>363,222</u>	<u>-</u>	<u>7,610</u>	<u>355,612</u>	<u>7,938</u>
Total other long-term obligations	<u>7,602,480</u>	<u>11,760,251</u>	<u>6,233,184</u>	<u>13,129,547</u>	<u>1,410,120</u>
Total governmental long-term liabilities	<u>\$ 16,759,948</u>	<u>\$ 12,052,204</u>	<u>\$ 7,214,416</u>	<u>\$ 21,597,736</u>	<u>\$ 2,408,588</u>

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 9: Long-Term Obligations (continued)

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

The OPWC loan for the East 141st Street and Maple Heights Improvements is pending upon completion of the project in 2010. As of December 31, 2009, only \$252,848 of the original projected loan of \$355,420 has been received.

In prior years, the City defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. The refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the City's government-wide financial statements. As of December 31, 2009, the amount of defeased debt outstanding but removed from the financial statements amounted to \$715,000.

The City's overall legal debt margin was \$26,425,932 at December 31, 2009.

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2009 were as follows:

Year	Governmental Activities					
	General Obligation Bonds		OPWC Loans	OWDA Loans		
	Principal	Interest	Principal	Principal	Interest	
2010	\$ 723,353	\$ 474,755	\$ 80,447	\$ 194,668	\$ 57,723	
2011	708,124	463,420	89,448	202,928	49,463	
2012	570,000	208,755	89,448	211,539	40,852	
2013	590,000	185,113	89,448	220,515	31,876	
2014	505,000	159,925	89,448	229,873	22,518	
2015-2019	2,405,000	402,088	306,159	363,430	15,361	
2020-2024	230,000	12,075	217,513	-	-	
2025-2029	-	-	90,000	-	-	
2030-2034	-	-	9,000	-	-	
	<u>\$ 5,731,477</u>	<u>\$ 1,906,131</u>	<u>\$ 1,060,911</u>	<u>\$ 1,422,953</u>	<u>\$ 217,793</u>	

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 9: Long-Term Obligations (continued)

Year	Governmental Activities			
	Accrued Police and Fire Pension		Total	
	Principal	Interest	Principal	Interest
2010	\$ 7,938	\$ 15,046	\$ 1,006,406	\$ 547,524
2011	8,279	14,708	1,008,779	527,591
2012	8,635	14,352	879,622	263,959
2013	9,007	13,980	908,970	230,969
2014	9,394	13,593	833,715	196,036
2015-2019	53,389	61,544	3,127,978	478,993
2020-2024	52,475	62,458	499,988	74,533
2025-2029	69,022	48,612	159,022	48,612
2030-2034	100,449	14,519	109,449	14,519
2035-2038	37,024	239	37,024	239
	<u>\$ 355,612</u>	<u>\$ 259,051</u>	<u>\$ 8,570,953</u>	<u>\$ 2,382,975</u>

Note 10: Capital Leases

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

	Governmental Activities
Assets:	
Equipment	\$ 42,178
Less: Accumulated depreciation	<u>(12,653)</u>
Total	<u>\$ 29,525</u>

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

Year	Governmental Activities
2010	\$ 9,561
2011	<u>8,954</u>
Total minimum lease payments	18,515
Less: Amount representing interest	<u>(1,027)</u>
Present value of minimum lease payments	<u>\$ 17,488</u>

Lease payments are made from the General Fund. The lease payment amount will be paid with current, available resources that have accumulated in the fund for payment early in the following year.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 11: Compensated Absences

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

City employees earn sick leave which, if not taken, accumulates until retirement. Sick leave is accumulated at the rate for 4.6 hours for every 80 hours worked. Upon retirement, an employee is paid up to 25 percent to 40 percent of accumulated sick leave, subject to certain limitations and depending on number of service years, calculated at current wage rates.

Note 12: Pension Plans

A. *Ohio Public Employees Retirement System*

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan.

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2009, the members of all three plans were required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City contributed 14.0 percent of covered payroll.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$749,743, \$678,150, and \$589,050, respectively; 92.1 percent has been contributed for 2009 and 100 percent for 2008 and 2007. Contributions to the member-directed plan for 2009 were \$1,783 made by the City and \$1,273 made by plan members.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 12: Pension Plans (continued)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by state statute. The City's contributions to the Fund for police and firefighters were \$597,600 and \$700,866, respectively, for the year ended December 31, 2009, \$564,630 and \$693,849, respectively, for the year ended December 31, 2008, and \$531,376 and \$635,787, respectively, for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. For 2009, 72.4 percent for police and 73.0 percent for firefighters has been contributed, with the remainder being reported as a liability.

Note 13: Postemployment Benefits

A. Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 13: Postemployment Benefits (continued)

A. Ohio Public Employees Retirement System (continued)

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, the City contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of the post employment health care benefits. For 2009, the employer contribution allocated to the health care plan was 7.0 percent from January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care for the years ended December 31, 2009, 2008, and 2007 were \$314,648, \$339,075, and \$233,912, respectively; 92.1 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

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

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 13: Postemployment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 1150 and 401(h).

The City's contributions to OP&F for police and fire for the years ending December 31, 2009, 2008, and 2007 were \$597,600 and \$700,866, \$564,630 and \$693,849, and \$693,849 and \$531,376, respectively, of which \$164,894 and \$188,975, \$195,362 and \$194,972, and \$183,925 and \$178,676, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2008 and 2007. For 2009, 72.4 percent for police and 73.0 percent for firefighters has been contributed, with the remainder being reported as a liability.

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 14: Risk Management

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

Each member provides operating resources to NORMA based on actuarially determined rates and shares in NORMA's residual equity based on the City's percentage of contributions. In the event of losses, the first \$1,000 to \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$150,000 per occurrence, will be paid from the self-insurance pool with any excess paid from the stop loss coverage carried by the pool. As of December 31, 2009, NORMA had an aggregate stop loss ranging from \$400,000 to \$750,000 per policy year. Any losses over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment. This has not been necessary throughout the 20-year history of the pool.

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

The claims liability of \$343,765 reported in the General Fund at December 31, 2009 is based on an estimate of costs relating to incurred but not reported claims. Changes in the fund's claim liability amount were:

	<u>Balance at</u>	<u>Current Year</u>	<u>Claim</u>	<u>Balance at</u>
	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2009	\$ -	\$ 1,810,668	\$ 1,466,903	\$ 343,765

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

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 14: Risk Management (continued)

The City continues to carry commercial insurance for other risks of loss, including employee health, dental and life insurance. There were no reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

Note 15: Contingencies/Pending Litigation

The City received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2009.

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

Note 16: Interfund Transfers and Balances

A. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, consisted of the following:

	Transfer from			Total
	General Fund	Municipal Income Tax Fund	Other Governmental Funds	
Transfer to:				
General Fund	\$ -	\$ 8,240,913	\$ -	\$ 8,240,913
Bond Retirement Fund	-	80,000	331,448	411,448
Capital Improvements Fund	200,000	-	-	200,000
Other Governmental Funds	<u>914,116</u>	<u>140,000</u>	<u>370,000</u>	<u>1,424,116</u>
	<u>\$ 1,114,116</u>	<u>\$ 8,460,913</u>	<u>\$ 701,448</u>	<u>\$ 10,276,477</u>

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 16: Interfund Transfers and Balances (continued)

A. Interfund Transfers (continued)

The City records municipal income tax revenues in the Municipal Income Tax Special Revenue Fund. The Municipal Income Tax Special Revenue Fund transferred \$8,240,913, \$140,000 and \$80,000 to the General Fund, Street Construction, Maintenance and Repair Special Revenue Fund and the Bond Retirement Debt Service Fund, respectively. These transfers were authorized by City ordinance to distribute unrestricted municipal income taxes. The other governmental fund transfers consisted of \$331,448 to the Bond Retirement Fund made for the payment of debt, \$120,000 to the Street Construction, Maintenance and Repair Special Revenue Fund in accordance with Ohio Revised Code Section 4501.04 (A) and \$250,000 to the Fire Truck Capital Projects Fund to purchase a City ambulance in accordance with City ordinance. The City had no transfers that either did not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer.

B. Interfund Balances

The Municipal Income Tax Special Revenue Fund received an advanced from the Northfield Road Improvement Capital Projects Fund \$63,466, which created an interfund receivable/payable. The balance resulted to advance the grant money to the fund that made the original payment for the goods and services before the grant money was received.

Note 17: Jointly Governed Organizations

A. Southeast Area Law Enforcement Organization

The Southeast Area Law Enforcement Organization is comprised of seven municipalities in southeastern Cuyahoga County for the purpose of providing assistance in the form of a SWAT team, Bomb Unit, Investigate Unit, Narcotics Unit, Crisis Negotiation Team, and Communications Unit. In 2009, the City contributed \$26,700 to the organization. The Southeast Area Law Enforcement organization financial statements may be obtained by contacting the Finance Director of the City of Bedford, Ohio.

B. Chagrin/Southeast Council of Governments

The Chagrin/Southeast Council of Governments operates the Chagrin/Southeast HazMat Response Team. The team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. In 2009, the City contributed \$3,500 to the organization. The Chagrin/Southeast Council of Governments financial statements may be obtained by contacting the Finance Director of the City of Bedford Heights, Ohio.

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

City of Maple Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2009

Note 17: Jointly Governed Organizations (continued)

C. Northeast Ohio Public Energy Council (NOPEC)

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity and natural gas on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of North Olmsted did not contribute to NOPEC during 2008. Financial information can be obtained by contacting the Board Chairman, 1615 Clark Avenue, Cleveland, Ohio, 44109.

Note 18: Accountability

There are deficits in the Police Pension, Fire Pension, Police Services, Fire Services, and DARE Program Special Revenue Funds of \$163,953, \$188,870, \$46,850, \$47,509 and \$2,412 and the Capital Improvement and Sidewalk Improvements Capital Projects Funds of \$566,406 and \$2,494, respectively, caused by the application of generally accepted accounting principles to these funds. The General Fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

Note 19: Subsequent Event

On June 23, 2010, the City issued \$13,055,000 in bonds to refund the 1998 Capital Purpose and Refunding Bond (\$545,000), refund the 2000 Capital Purpose Bond (\$1,930,000), and to pay the costs of various other improvements within the City (\$10,580,000).

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

Members of the City Council
Maple Heights, Ohio

We have audited the 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, Ohio, (the “City”) as of and for the year ended December 31, 2009, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 30, 2010, wherein we noted the City adopted *GASB Statement Nos. 52, 55, and 56*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

Members of the City Council
Maple Heights, Ohio

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City, in a separate letter dated June 30, 2010.

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

Cini & Paricki, Inc.

Cleveland, Ohio
June 30, 2010



Mary Taylor, CPA
Auditor of State

CITY OF MAPLE HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 9, 2010**