

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

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Maple Heights, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2017 through December 31, 2017. 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.

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Dave Yost
Auditor of State

August 9, 2018

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**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Heights, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Heights as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund and the Water/Sewer Maintenance Fund and Street Construction Maintenance and Repair Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 21 to the financial statements, the City has experienced a financial shortfall which has resulted in deficit spending in the General Fund. The financial statements do not include any adjustments that might result from this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive, flowing style.

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

June 25, 2018

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**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

The discussion and analysis of the City of Maple Heights's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the basic financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

As you proceed through this discussion and analysis you will notice that total revenues and expenses increased from 2016 levels and the total net position saw an increase of \$172,917. On February 13, 2015, the State Auditor's Office placed the City into Fiscal Emergency. The City is working to put in place a plan of action to eliminate this situation.

Using This Annual Financial Report

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

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

The City of Maple Heights as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

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

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

Reporting the City's Most Significant Funds

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

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

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

Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Water/Sewer Maintenance Fund and the Street Construction Maintenance and Repair Fund which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation.

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

Proprietary Funds The City's only proprietary fund is the Solid Waste Collection Enterprise Fund. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

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

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

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

The City as a Whole

As noted earlier, the Statement of Net Position looks at the City as a whole. The following table provides a summary of the City's net position for 2017 compared to 2016.

Table 1 - Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	\$ 15,324,682	\$ 13,536,733	\$ 2,717,630	\$ 2,340,766	\$ 18,042,312	\$ 15,877,499
Capital Assets	45,771,684	46,727,359	-	-	45,771,684	46,727,359
Total Assets	61,096,366	60,264,092	2,717,630	2,340,766	63,813,996	62,604,858
Deferred Outflows of Resources						
Deferral on Refunding	2,759	9,380	-	-	2,759	9,380
Pension	4,346,086	5,785,680	-	-	4,346,086	5,785,680
Total Deferred Outflows of Resources	4,348,845	5,795,060	-	-	4,348,845	5,795,060
Liabilities						
Current and Other Liabilities	623,712	818,225	130,893	107,498	754,605	925,723
Long-term Liabilities:						
Due within One Year	1,509,112	1,466,457	-	-	1,509,112	1,466,457
Due in More than One Year:						
Net Pension Liability	18,145,822	20,164,080	-	-	18,145,822	20,164,080
Other Amounts	15,489,210	16,160,883	-	-	15,489,210	16,160,883
Total Liabilities	35,767,856	38,609,645	130,893	107,498	35,898,749	38,717,143
Deferred Inflows of Resources						
Property Taxes	4,653,543	3,864,305	-	-	4,653,543	3,864,305
Pension	2,067,151	447,989	-	-	2,067,151	447,989
Total Deferred Inflows of Resources	6,720,694	4,312,294	-	-	6,720,694	4,312,294
Net Position						
Net Investment in Capital Assets	31,804,778	32,072,220	-	-	31,804,778	32,072,220
Restricted	5,487,591	4,311,366	-	-	5,487,591	4,311,366
Unrestricted	(14,335,708)	(13,246,373)	2,586,737	2,233,268	(11,748,971)	(11,013,105)
Total Net Position	\$ 22,956,661	\$ 23,137,213	\$ 2,586,737	\$ 2,233,268	\$ 25,543,398	\$ 25,370,481

The City has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of

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CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Total net position for governmental activities decreased from 2016 levels. This was largely due to an increase in deferred inflows of resources relating to pensions. Total net position for business-type activity increased as the City closely monitored the spending in the Solid Waste Collection Fund.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further detail regarding the results of activities for the current year.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

Table 2 - Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for Services	\$ 2,567,341	\$ 2,869,399	\$ 1,924,634	\$ 1,763,106	\$ 4,491,975	\$ 4,632,505
Operating Grants and Contributions	1,769,769	1,636,157	-	-	1,769,769	1,636,157
General Revenues:						
Property Taxes	3,612,463	3,715,269	-	-	3,612,463	3,715,269
Municipal Income Taxes	6,513,647	7,055,004	-	-	6,513,647	7,055,004
Franchise Taxes	268,317	239,407	-	-	268,317	239,407
Grants and Entitlements	1,372,411	1,357,285	-	-	1,372,411	1,357,285
Investment Earnings	104	69	-	-	104	69
Gain on Sale of Capital Asset	-	27,795	-	-	-	27,795.00
All Other Revenues	1,272,291	493,155	-	-	1,272,291	493,155
Total Revenues	17,376,343	17,393,540	1,924,634	1,763,106	19,300,977	19,156,646
Program Expenses						
Security of Persons and Property	9,269,896	10,655,362	-	-	9,269,896	10,655,362
Public Health Services	90,701	90,701	-	-	90,701	90,701
Leisure Time Activities	615,281	532,649	-	-	615,281	532,649
Community Environment	585,829	503,015	-	-	585,829	503,015
Basic Utility Services	1,349,862	889,680	-	-	1,349,862	889,680
Transportation	2,037,412	1,385,262	-	-	2,037,412	1,385,262
General Government	2,950,622	2,932,577	-	-	2,950,622	2,932,577
Interest and Fiscal Charges	657,292	635,616	-	-	657,292	635,616
Solid Waste Collection	-	-	1,571,165	1,353,001	1,571,165	1,353,001
Total Program Expenses	17,556,895	17,624,862	1,571,165	1,353,001	19,128,060	18,977,863
Change in Net Position	(180,552)	(231,322)	353,469	410,105	172,917	178,783
Net Position, Beginning of Year	23,137,213	23,368,535	2,233,268	1,823,163	25,370,481	25,191,698
Net Position, End of Year	\$ 22,956,661	\$ 23,137,213	\$ 2,586,737	\$ 2,233,268	\$ 25,543,398	\$ 25,370,481

Governmental Activities

Several revenue sources fund governmental activities with City municipal income tax being the largest contributor. The City has a current municipal income tax rate of 2.5 percent and grants a 2.5 percent credit to residents who pay municipal income tax to another city. Property tax collections are the next largest source of general revenue for governmental activities. The City collects 3.2 mills of inside millage and has approved 13.6 mills of outside millage. The outside millage is generated from a 7.3 mill general fund operating levy, 1 mill street lighting levy, a 2 mill police levy, a 2 mill fire levy, and a 1.3 mill senior center levy. The City periodically reviews its fee structure to ensure that all fees constitute a fair charge for the cost of providing government services.

Major expense activities, under the accrual basis of accounting, included: security of persons and property expenses which accounted for 52.80 percent of total program expenses; general government expenses which accounted for 16.81 percent; basic utility services which accounted for 7.69 percent; and transportation which accounted for 11.60 percent. Security of persons and property expenses saw a significant decrease due to retirements in both the police and fire departments. Overall, program expenses decreased by \$67,967 from 2016 program expense totals. The City is committed to providing the basic services that our residents expect.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

Business-Type Activities

The City's business-type activities are comprised of one enterprise fund, which is the City's Solid Waste Collection Fund. In 2017, charges for services for the collection of garbage fees are the only revenue source for the Fund. As a result of garbage collections increasing during the year, the City was also able to increase the net position.

Governmental Funds Financial Analysis

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

The City's major governmental funds are the General Fund, the Water/Sewer Maintenance Fund, and the Street Construction Maintenance and Repair Fund. The General Fund revenues exceeded expenditures for the year after transfers out are included, with revenues decreasing from the previous year, and expenditures also decreasing from the previous year largely due to a decrease in security of persons and property and general government expenditures. The decrease in revenues is largely due to a decrease in municipal income taxes.

The Water/Sewer Maintenance Fund revenues exceed expenditures for the year, after transfers are included, with revenues increasing from the previous year, and expenditures also increasing from the previous year. The increase in revenue is due to a reimbursement of construction cost received from the City of Cleveland. The increase in expenditures is largely due to an increase in capital outlay, basic utility services and transportation.

The Street Construction Maintenance and Repair Fund revenues exceed expenditures for the year, with revenues increasing slightly from the previous year, and expenditures decreasing from the previous year. The decrease in expenditures is due to an inception in capital lease in 2016.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of 2017, the City amended its General Fund accordingly to avoid waiting until the end of the year to adjust appropriations. The control level of the General Fund is by object within each department. This allows the City to make small interdepartmental budget modifications within departments. Actual revenue was less than the final budget due to less received in municipal income tax than expected. Actual expenditures was less than the final budgeted amount. This was due to monitoring the City's budget to keep the City's spending in line with its estimates.

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2017 balances of capital assets as compared to 2016.

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

	Governmental Activities	
	2017	2016
Land	\$ 310,031	\$ 310,031
Construction-in-progress	960,993	93,793
Buildings	4,526,382	4,720,148
Equipment	231,019	297,161
Vehicles	1,431,440	1,680,319
Infrastructures	38,311,819	39,625,907
Total Capital Assets	\$ 45,771,684	\$ 46,727,359

For 2017, the primary additions for governmental activities was the construction of roads and sewer lines. Additional information concerning capital assets can be found in Note 9 to the basic financial statements.

Debt

Table 4 summarizes the City's long-term obligations outstanding at December 31, 2017.

Table 4 - Outstanding Obligations at December 31

	Governmental Activities	
	2017	2016
General Obligation Bonds	\$12,707,943	\$13,346,525
OPWC Loans	1,825,103	1,528,638
Capital Lease Payable	625,327	777,134
Accrued police and fire pension liability	281,273	291,964
Compensated Absences	1,558,676	1,683,079
Total Outstanding Debt	\$ 16,998,322	\$ 17,627,340

At December 31, 2017, the general obligation bonds outstanding consist of the 2004 Various Purpose Bonds, the 2010 Various Purpose Refunding Bonds and the 2010 Capital Appreciation Bonds. The OWDA and OPWC loans outstanding are for infrastructure improvement projects, which are being repaid using sanitation fees from the Sewer Maintenance Fund. The other long-term obligations consist of police and fire pension liability, capital leases for police vehicles and ambulance equipment, and compensated absences. Additional information concerning debt issuances can be found in Note 11 to the basic financial statements.

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

Current Related Financial Activities

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

In conclusion, the implementation of GASB Statement No. 68 requires the reader to perform additional calculations to determine the City's Total Net Position at December 31, 2017 without the implementation of GASB Statement No. 68. This is an important exercise, as the State Pension Systems (OPERS & OP&F) collect, hold and distributes pensions to our employees, not the City of Maple Heights. These calculations are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Total Net Position at December 31, 2017 (with GASB 68)	\$ 22,956,661	\$ 2,586,737
GASB 68 Calculations:		
Add: Deferred Inflows related to Pension	2,067,151	-
Net Pension Liability	18,145,822	-
Less: Deferred Outflows related to Pension	4,346,086	-
Net Pension Asset	(16,324)	-
Total Net Position at December 31, 2017 (without GASB 68)	<u>\$ 47,499,396</u>	<u>\$ 2,586,737</u>

Contacting the City of Maple Heights' Financial Management

This financial report is designed to provide the citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Director, City of Maple Heights, 5353 Lee Road, Maple Heights, Ohio 44137.

BASIC FINANCIAL STATEMENTS

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 2,476,369	\$ 558,210	\$ 3,034,579
Accounts Receivable	1,741,353	2,159,420	3,900,773
Intergovernmental Receivable	1,290,066	-	1,290,066
Municipal Income Taxes Receivable	3,322,096	-	3,322,096
Property Taxes Receivable	6,284,593	-	6,284,593
Materials and Supplies Inventory	101,262	-	101,262
Prepaid Items	92,619	-	92,619
Net Pension Asset	16,324	-	16,324
Nondepreciable Capital Assets	1,271,024	-	1,271,024
Depreciable Capital Assets	44,500,660	-	44,500,660
Total Assets	61,096,366	2,717,630	63,813,996
DEFERRED OUTFLOWS OF RESOURCES			
Deferral on Refunding	2,759	-	2,759
Pension	4,346,086	-	4,346,086
Total Deferred Outflows of Resources	4,348,845	-	4,348,845
LIABILITIES			
Accounts Payable	98,863	122,650	221,513
Accrued Wages and Benefits	279,032	3,093	282,125
Intergovernmental Payable	202,860	5,150	208,010
Accrued Interest Payable	42,957	-	42,957
Long-term Liabilities:			
Due within one year	1,509,112	-	1,509,112
Due in more than one year:			
Net Pension Liability (See Note 15)	18,145,822	-	18,145,822
Other amounts	15,489,210	-	15,489,210
Total Liabilities	35,767,856	130,893	35,898,749
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	4,653,543	-	4,653,543
Pension	2,067,151	-	2,067,151
Total Deferred Inflows of Resources	6,720,694	-	6,720,694
NET POSITION			
Net Investment in Capital Assets	31,804,778	-	31,804,778
Restricted for:			
Debt Service	214,880	-	214,880
Capital Projects	71,849	-	71,849
Streets and Highways	1,890,006	-	1,890,006
Sewer Maintenance	1,602,693	-	1,602,693
Community Development	315,129	-	315,129
Other Purposes	1,393,034	-	1,393,034
Unrestricted	(14,335,708)	2,586,737	(11,748,971)
Total Net Position	\$ 22,956,661	\$ 2,586,737	\$ 25,543,398

See accompanying Notes to the Basic Financial Statements

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary Government:						
Governmental activities:						
Security of Persons and Property	\$ 9,269,896	\$ 902,593	\$ 586,494	\$ (7,780,809)	\$ -	\$ (7,780,809)
Public Health Services	90,701	-	-	(90,701)	-	(90,701)
Leisure Time Activities	615,281	29,642	85,776	(499,863)	-	(499,863)
Community Environment	585,829	211,744	16,987	(357,098)	-	(357,098)
Basic Utility Services	1,349,862	2,702	-	(1,347,160)	-	(1,347,160)
Transportation	2,037,412	-	1,040,512	(996,900)	-	(996,900)
General Government	2,950,622	1,420,660	40,000	(1,489,962)	-	(1,489,962)
Interest and Fiscal Charges	657,292	-	-	(657,292)	-	(657,292)
Total Governmental activities	<u>17,556,895</u>	<u>2,567,341</u>	<u>1,769,769</u>	<u>(13,219,785)</u>	<u>-</u>	<u>(13,219,785)</u>
Business-type activities:						
Solid Waste Collection	1,571,165	1,924,634	-	-	353,469	353,469
Total Business-type activities	<u>1,571,165</u>	<u>1,924,634</u>	<u>-</u>	<u>-</u>	<u>353,469</u>	<u>353,469</u>
Total Primary Government	<u>\$ 19,128,060</u>	<u>\$ 4,491,975</u>	<u>\$ 1,769,769</u>	<u>(13,219,785)</u>	<u>353,469</u>	<u>(12,866,316)</u>
General Revenues:						
Property Taxes levied for:						
General Purposes				1,903,000	-	1,903,000
Debt Service Purpose				508,404	-	508,404
Other Purposes				1,201,059	-	1,201,059
Municipal Income Taxes levied for:						
General Purposes				6,513,647	-	6,513,647
Franchise Taxes				268,317	-	268,317
Grants & Entitlements not restricted to specific progra				1,372,411	-	1,372,411
Investment Income				104	-	104
All Other Revenues				1,272,291	-	1,272,291
Total General Revenues				<u>13,039,233</u>	<u>-</u>	<u>13,039,233</u>
Change in Net Position				(180,552)	353,469	172,917
Net Position - Beginning of Year				<u>23,137,213</u>	<u>2,233,268</u>	<u>25,370,481</u>
Net Position - End of Year				<u>\$ 22,956,661</u>	<u>\$ 2,586,737</u>	<u>\$ 25,543,398</u>

See accompanying Notes to the Basic Financial Statements

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General Fund	Water/Sewer Maintenance	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$ 2,151	\$ 284,385	\$ 1,079,245	\$ 1,110,588	\$ 2,476,369
Accounts Receivable	776,428	582,979	-	381,946	1,741,353
Interfund Receivable	110,576	778,422	-	-	888,998
Intergovernmental Receivable	491,149	-	481,865	317,052	1,290,066
Municipal Income Taxes Receivable	3,322,096	-	-	-	3,322,096
Property Taxes Receivable	3,299,412	-	-	2,985,181	6,284,593
Materials and Supplies Inventory	29,630	-	71,632	-	101,262
Prepaid Items	92,555	-	-	64	92,619
Total Assets	\$ 8,123,997	\$ 1,645,786	\$ 1,632,742	\$ 4,794,831	\$ 16,197,356
LIABILITIES					
Accounts Payable	\$ 28,575	\$ -	\$ 15,164	\$ 55,124	\$ 98,863
Accrued Wages and Benefits	201,017	10,594	10,061	57,360	279,032
Intergovernmental Payable	91,612	32,499	11,308	67,441	202,860
Interfund Payable	778,422	-	-	110,576	888,998
Total Liabilities	1,099,626	43,093	36,533	290,501	1,469,753
DEFERRED INFLOWS OF RESOURCES					
Property Taxes	2,443,111	-	-	2,210,432	4,653,543
Unavailable Revenue-Delinquent Property Taxes	856,301	-	-	774,749	1,631,050
Unavailable Revenue- Municipal Income Taxes	2,288,580	-	-	-	2,288,580
Unavailable Revenue-Special assessments	759,102	-	-	-	759,102
Unavailable Revenue-Other	354,322	487,052	292,253	459,916	1,593,543
Total Deferred Inflows of Resources	6,701,416	487,052	292,253	3,445,097	10,925,818
FUND BALANCES					
Nonspendable	122,185	-	71,632	64	193,881
Restricted	-	1,115,641	1,232,324	1,113,998	3,461,963
Committed	-	-	-	101,454	101,454
Unassigned (Deficits)	200,770	-	-	(156,283)	44,487
Total Fund Balances	322,955	1,115,641	1,303,956	1,059,233	3,801,785
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,123,997	\$ 1,645,786	\$ 1,632,742	\$ 4,794,831	\$ 16,197,356

See accompanying Notes to the Basic Financial Statements

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
 TO NET POSITION OF GOVERNMENTAL ACTIVITIES
 DECEMBER 31, 2017**

Total Governmental Funds Balance \$ 3,801,785

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

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds 45,771,684

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

Delinquent Property Taxes	\$	1,631,050	
Municipal Income taxes		2,288,580	
Intergovernmental		989,595	
Charges for services		1,363,050	
Total		6,272,275	6,272,275

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due. (42,957)

The net pension liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:

Net Pension Asset		16,324	
Deferred Outflows - Pension		4,346,086	
Deferred Inflows - Pension		(2,067,151)	
Net Pension Liability		(18,145,822)	
Total		(15,850,563)	(15,850,563)

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

General obligation bonds		(9,400,000)	
Capital Appreciation Bonds		(2,839,378)	
OPWC Loans		(1,825,103)	
Capital leases		(625,327)	
Police and Fire Pension Liability		(281,273)	
Compensated absences		(1,558,676)	
Premium on Bonds		(468,565)	
Deferral on Refunding		2,759	
Total		(16,995,563)	(16,995,563)

Net Position of Governmental Activities \$ 22,956,661

See accompanying Notes to the Basic Financial Statements

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General Fund	Water/Sewer Maintenance	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 1,487,078	\$ -	\$ -	\$ 2,081,397	\$ 3,568,475
Municipal Income Taxes	7,076,068	-	-	-	7,076,068
Franchise Taxes	268,317	-	-	-	268,317
Intergovernmental	1,025,319	-	914,729	1,213,167	3,153,215
Interest	104	-	-	-	104
Fees, Licenses, and Permits	819,201	-	-	72,975	892,176
Fines and Forfeitures	78,784	-	-	-	78,784
Charges for Services	264,066	690,213	-	555,853	1,510,132
Contributions and Donations	2,362	-	-	1,093	3,455
All Other Revenues	351,729	793,625	5,811	50,862	1,202,027
Total Revenues	<u>11,373,028</u>	<u>1,483,838</u>	<u>920,540</u>	<u>3,975,347</u>	<u>17,752,753</u>
EXPENDITURES					
Security of Persons and Property	6,733,419	-	-	2,171,208	8,904,627
Public Health Services	90,701	-	-	-	90,701
Leisure Time Activities	11,829	-	-	427,149	438,978
Community Environment	559,160	-	-	-	559,160
Basic Utility Services	130,770	772,737	-	-	903,507
Transportation	-	446,660	483,590	27,986	958,236
General Government	2,206,566	-	-	592,859	2,799,425
Capital Outlay	-	386,551	-	-	386,551
Debt Service:					
Principal Retirement	-	90,086	34,853	917,645	1,042,584
Interest and Fiscal Charges	-	-	45,845	459,002	504,847
Total Expenditures	<u>9,732,445</u>	<u>1,696,034</u>	<u>564,288</u>	<u>4,595,849</u>	<u>16,588,616</u>
Excess of Revenues (Under) Expenditures	<u>1,640,583</u>	<u>(212,196)</u>	<u>356,252</u>	<u>(620,502)</u>	<u>1,164,137</u>
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	66,809	-	-	-	66,809
OPWC Loans Issued	-	386,551	-	-	386,551
Transfers In	-	-	-	725,351	725,351
Transfers Out	<u>(725,351)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(725,351)</u>
Total Other Financing Sources (Uses)	<u>(658,542)</u>	<u>386,551</u>	<u>-</u>	<u>725,351</u>	<u>453,360</u>
Net Change in Fund Balances	982,041	174,355	356,252	104,849	1,617,497
Fund Balances - Beginning of Year	(659,086)	941,286	947,704	954,384	2,184,288
Fund Balances - End of Year	<u>\$ 322,955</u>	<u>\$ 1,115,641</u>	<u>\$ 1,303,956</u>	<u>\$ 1,059,233</u>	<u>\$ 3,801,785</u>

See accompanying Notes to the Basic Financial Statements

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, 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, 2017**

Net Change in Fund Balances-Total Governmental Funds		\$ 1,617,497
<i>Amounts reported for Governmental Activities in the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital Outlay	\$ 921,415	
Depreciation	<u>(1,845,200)</u>	
Total		(923,785)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(31,890)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	43,989	
Municipal income taxes	(562,421)	
Intergovernmental	171,745	
Charges for services	<u>(96,532)</u>	
Total		(443,219)
Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of OPWC Loans.		
		(386,551)
Repayment of various debt obligations are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
		1,042,584
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows		
		1,122,060
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,149,206)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental funds.		
Compensated absences	124,403	
Accrued interest on bonds	5,594	
Annual Accretion on Bonds	(194,309)	
Amortization of bond premiums	42,891	
Amortization of loss on refunding	<u>(6,621)</u>	
Total		<u>(28,042)</u>
Change in Net Position of Governmental Activities		\$ <u>(180,552)</u>

See accompanying Notes to the Basic Financial Statements

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Municipal Income Taxes	7,344,547	\$ 7,250,082	\$ 7,218,120	\$ (31,962)
Property Taxes	1,513,125	1,493,663	1,487,078	(6,585)
Intergovernmental	1,040,313	1,026,932	1,022,405	(4,527)
Charges for Services	268,691	265,235	264,066	(1,169)
Fees, Licenses, and Permits	924,580	912,689	908,665	(4,024)
Franchise Taxes	275,156	271,617	270,420	(1,197)
Contributions and Donations	2,403	2,372	2,362	(10)
Interest	106	104	104	-
Other	375,935	371,100	369,464	(1,636)
Total Revenues	11,744,856	11,593,794	11,542,684	(51,110)
Expenditures:				
Current:				
Security of Persons and Property	7,026,016	6,806,260	6,803,092	3,168
Public Health Services	90,701	90,701	90,701	-
Leisure Time Activities	10,044	5,460	10,725	(5,265)
Community Environment	588,764	568,109	549,888	18,221
Basic Utility Services	82,878	124,558	124,300	258
General Government	3,294,223	3,106,907	2,207,713	899,194
Total Expenditures	11,092,626	10,701,995	9,786,419	915,576
Excess of Revenues Over (Under) Expenditures	652,230	891,799	1,756,265	864,466
Other Financing Sources (Uses)				
Sale of Equipment	-	-	66,809	66,809
Transfer Out	-	(725,461)	(725,351)	110
Advances Out	-	(110,576)	(110,576)	-
Total Other Financing Sources (Uses)	-	(836,037)	(769,118)	66,919
Net Change in Fund Balance	652,230	55,762	987,147	931,385
Fund Balance at Beginning of Year	(1,763,418)	(1,763,418)	(1,763,418)	-
Fund Balance- End of Year	\$ (1,111,188)	\$ (1,707,656)	\$ (776,271)	\$ 931,385

See accompanying Notes to the Basic Financial Statements

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET (NON-GAAP) BASIS AND ACTUAL
 WATER/SEWER MAINTENANCE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 877,830	\$ 801,080	\$ 801,081	\$ 1
Other	327,170	793,625	793,625	-
Total Revenues	<u>1,205,000</u>	<u>1,594,705</u>	<u>1,594,706</u>	<u>1</u>
Expenditures:				
Current:				
Basic Utility Services	429,106	904,851	880,024	24,827
Transportation	266,085	561,090	454,872	106,218
Debt Service:				
Principal Retirement	-	122,007	90,086	31,921
Total Expenditures	<u>695,191</u>	<u>1,587,948</u>	<u>1,424,982</u>	<u>162,966</u>
Net Change in Fund Balance	509,809	6,757	169,724	162,967
Fund Balance at Beginning of Year	893,084	893,084	893,084	-
Fund Balance- End of Year	<u>\$ 1,402,893</u>	<u>\$ 899,841</u>	<u>\$ 1,062,808</u>	<u>\$ 162,967</u>

See accompanying Notes to the Basic Financial Statements

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET (NON-GAAP) BASIS AND ACTUAL
 STREET CONSTRUCTION MAINTENANCE AND REPAIR FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 820,000	\$ 820,000	\$ 863,729	\$ 43,729
Other	-	38,270	38,412	142
Total Revenues	<u>820,000</u>	<u>858,270</u>	<u>902,141</u>	<u>43,871</u>
Expenditures:				
Current:				
Transportation	676,841	586,000	585,510	490
Total Expenditures	<u>676,841</u>	<u>586,000</u>	<u>585,510</u>	<u>490</u>
Net Change in Fund Balance	143,159	272,270	316,631	44,361
Fund Balance at Beginning of Year	762,614	762,614	762,614	-
Fund Balance- End of Year	<u>\$ 905,773</u>	<u>\$ 1,034,884</u>	<u>\$ 1,079,245</u>	<u>\$ 44,361</u>

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 STATEMENT OF FUND NET POSITION
 ENTERPRISE FUND
 DECEMBER 31, 2017**

	Solid Waste Collection
ASSETS	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 558,210
Accounts Receivable	<u>2,159,420</u>
Total Assets	<u><u>2,717,630</u></u>
 LIABILITIES	
Current Liabilities:	
Accounts Payable	122,650
Accrued Wages and Benefits	3,093
Intergovernmental Payable	<u>5,150</u>
Total Current Liabilities	<u>130,893</u>
Total Liabilities	<u><u>130,893</u></u>
 NET POSITION	
Unrestricted	<u>2,586,737</u>
Total Net Position	<u><u>\$ 2,586,737</u></u>

See accompanying Notes to the Basic Financial Statements

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 ENTERPRISE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Solid Waste Collection</u>
OPERATING REVENUES	
Charges for Services	\$ 1,924,634
Total Operating Revenues	<u>1,924,634</u>
OPERATING EXPENSES	
Salaries	64,570
Fringe Benefits	34,709
Contractual Services	1,471,886
Total Operating Expense	<u>1,571,165</u>
Change in Net Position	353,469
Net Position - Beginning of Year	2,233,268
Net Position - End of Year	<u>\$ 2,586,737</u>

See accompanying Notes to the Basic Financial Statements

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 STATEMENT OF CASH FLOWS
 ENTERPRISE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Solid Waste Collection</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Charges for Services	\$ 1,839,745
Cash Payments to Employees for Services	(65,013)
Cash Payments for Employee Benefits	(31,016)
Cash Payments for Goods and Services	(1,451,741)
Net Cash Provided by Operating Activities	<u>291,975</u>
 Net Increase in Cash and Cash Equivalents	 291,975
 Cash and Cash Equivalents - Beginning of Year	 <u>266,235</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 558,210</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 353,469
(Increase)/Decrease in Assets:	
Special Assessment Receivable	(84,889)
Increase in Liabilities:	
Accounts Payable	20,145
Accrued Wages	(443)
Intergovernmental Payable	3,693
Net Cash Provided by Operating Activities	<u><u>\$ 291,975</u></u>

See accompanying Notes to the Basic Financial Statements

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2017**

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 677,421</u>
Total Assets	<u>677,421</u>
Liabilities	
Deposits Held and Due to Others	<u>677,421</u>
Total Liabilities	<u>\$ 677,421</u>

See accompanying Notes to the Basic Financial Statements

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1: **DESCRIPTION OF THE CITY AND REPORTING ENTITY**

Description of the City

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

On February 13, 2015, the Auditor of State’s office declared the City to be in a state of fiscal emergency under Section 118.03(A)(1) and 118.03(A)(5) of the Ohio Revised Code. The City did not make its semiannual payments on three Ohio Water Development Authority Loans in the amount of \$93,240 for the Water Pollution Control Loan Sewer Improvements, \$28,837 for the Water Pollution Control Loan Sewer Rehabilitation and \$4,119 for the Water Pollution Control Loan Sewer Rehabilitation Supplement. The City had total unprovided portion of aggregate deficit funds at December 31, 2014, in the amount of \$589,889, that exceeded one-sixth of the General Fund receipts and the receipts of the respective deficit funds and funds that are available for transfer to meet such deficits. At December 31, 2014, the treasury balance less positive fund balances exceeded one sixth of the receipts for the year. The City ended 2017 with a treasury balance of \$3,712,007.

Reporting Entity

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

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

The City participates in three jointly governed organizations and an insurance purchasing pool. These organizations are the Southeast Area Law Enforcement Organization, the Northeast Ohio Public Energy Council (NOPEC), the Chagrin/Southeast Council of Governments and the Northern Ohio Risk Management Association (NORMA). These organizations are presented in Notes 18 and 19 to the basic financial statements.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

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

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

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

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

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

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Fund Accounting

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

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

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

General Fund

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

Water/Sewer Maintenance Fund

The Water/Sewer Maintenance Fund accounts for and reports funds accumulated for the repair and maintenance of water and sewer lines within the City.

Street Construction, Maintenance and Repair Fund

The Street Construction, Maintenance and Repair Fund is required by the Ohio Revised Code to account for the portion of the State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

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

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

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

Solid Waste Collection Fund

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

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Fund Accounting (Continued)

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

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Like the government-wide statements, the Enterprise Fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the fund are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Fund Accounting (Continued)

Basis of Accounting

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the Statements of Financial Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 15.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Fund Accounting (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, special assessments, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. The deferred inflows of resources related pension are explained in Note 15.

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.

Budgetary Data

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

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

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Fund Accounting (Continued)

Budgetary Data (Continued)

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

Cash and Cash Equivalents

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

The City's investment in State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The city measures their investment in STAR Ohio as the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2017, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2017 amounted to \$104.

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.

Inventory

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

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (CONTINUED)**

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

Fund Accounting (Continued)

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their market values as of the date received.

The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

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

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

Interfund Balances

On fund financial statements, receivables and payables resulting in short term interfund loans are classified as “interfund receivables/payables”. Interfund balance amounts are eliminated in the Statement of Net Position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Fund Accounting (Continued)

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 City records a liability for accumulated unused sick leave for all employees with at least five years of service at a percentage specified in the individual union contracts.

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

Accrued Liabilities and Long-Term Obligations

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

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

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Fund Accounting (Continued)

Fund Balance

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

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

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

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

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

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

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Fund Accounting (Continued)

Fund Balance (Continued)

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

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

Net Position

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

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

Interfund Activity

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

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

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Fund Accounting (Continued)

Bond Premium

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

Operating Revenues and Expenses

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

Deferred Charge on Refunding

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

Estimates

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

Pensions

For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (CONTINUED)**

NOTE 3: FUND BALANCES

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

Fund Balances	General	Water/Sewer Maintenance	Street Construction Maintenance and Repair	Other Governmental Funds	Total
<i>Nonspendable</i>					
Prepaid Items	\$ 92,555	\$ -	\$ -	\$ 64	\$ 92,619
Inventories	29,630	-	71,632	-	101,262
<i>Total Nonspendable</i>	<u>122,185</u>	<u>-</u>	<u>71,632</u>	<u>64</u>	<u>193,881</u>
<i>Restricted for</i>					
Road Improvements	-	-	-	207,202	207,202
Police and Fire Operations	-	-	-	178,136	178,136
Drug and Alcohol Enforcement	-	-	-	170,218	170,218
Economic Development	-	-	-	315,129	315,129
Recreation	-	-	-	64,140	64,140
Computer Technology	-	-	-	107,161	107,161
Sewer Maintenance	-	1,115,641	1,232,324	-	2,347,965
Debt Payment	-	-	-	163	163
Capital Improvements	-	-	-	71,849	71,849
<i>Total Restricted</i>	<u>-</u>	<u>1,115,641</u>	<u>1,232,324</u>	<u>1,113,998</u>	<u>3,461,963</u>
<i>Committed to</i>					
Ambulance Billing	-	-	-	101,454	101,454
<i>Total Committed</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,454</u>	<u>101,454</u>
<i>Unassigned (Deficit)</i>	200,770	-	-	(156,283)	44,487
Total Fund Balances	<u><u>\$ 322,955</u></u>	<u><u>\$ 1,115,641</u></u>	<u><u>\$ 1,303,956</u></u>	<u><u>\$ 1,059,233</u></u>	<u><u>\$ 3,801,785</u></u>

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 4: **CHANGES IN ACCOUNTING PRINCIPLES**

During the year, the City implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the City.

GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The object of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on City's beginning net position.

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (CONTINUED)**

NOTE 5: **ACCOUNTABILITY AND COMPLIANCE**

Accountability

Fund balance at December 31, 2017, included the following individual fund deficits:

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Street Lighting	\$ 35,871
Fire Pension Fund	12,817
EMS Grant	15,072
Police Services Levy Fund	34,899
FEMA Fire Grant Fund	57,624

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

Compliance

The City had a negative cash fund balance in the General Fund in the amounts of \$778,422, indicating that revenue from other sources were used to pay obligations contrary to Ohio Revised Code Section 5705.10(H).

The City had the following total expenditures plus encumbrances in excess of total final appropriations plus prior year encumbrances at December 31, 2017. These variances are contrary to section 5705.41 (B) of the Ohio Revised Code.

<u>Major Fund</u>	<u>Total Final Appropriations</u>	<u>Total Expenditures Plus Encumbrances</u>	<u>Variance</u>
General Fund			
Recreation (Other)	\$ 5,460	\$ 10,725	\$ (5,265)

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

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (CONTINUED)**

NOTE 6: BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual for the General Fund and Water/Sewer Maintenance Fund 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:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP basis).
3. Unreported cash represents amounts received but not included as revenue on the budgetary statements, but reported on the operating statements prepared using GAAP.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budget basis statements for the General Fund, the Water/Sewer Maintenance Fund and the Street Construction Maintenance and Repair Fund.

	General	Water/Sewer Maintenance	Street Construction Maintenance and Repair
GAAP Basis	\$ 982,041	\$ 174,355	\$ 356,252
Revenue Accruals	169,656	(275,683)	(18,399)
Expenditure Accruals	(164,550)	271,052	(21,222)
Budget Basis	\$ 987,147	\$ 169,724	\$ 316,631

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 7: DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 7: **DEPOSITS AND INVESTMENTS** (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

Cash on Hand

The City has \$3,000 in undeposited cash on hand, which is reported on the balance sheet as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that, in the event of the failure of the counterparty, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City's deposits was \$3,700,528 and \$4,184,836 of the City's bank balance of \$4,479,095 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. The City's financial institution had enrolled in OPCS as of December 31, 2017.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 7: **DEPOSITS AND INVESTMENTS** (Continued)

Investments

STAR Ohio is measured at net asset value per share while all other investments are measured at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets.

Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. At December 31, 2017, the City had \$8,472 invested in STAR Ohio with an average maturity of 51.6 days.

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

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

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

NOTE 8: **RECEIVABLES**

Receivables at December 31, 2017, consisted primarily of municipal income taxes, property taxes, accounts (billings for user charged services and court fines), and intergovernmental receivables arising from grants, entitlements and shared revenues. No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables are expected to be collected within one year except for delinquent property taxes. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (CONTINUED)**

NOTE 8: **RECEIVABLES** (Continued)

Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of the 2016 taxes. Property tax payments received during 2017 for tangible personal property (other than public utility property) are for 2016 taxes.

2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was \$16.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 property tax receipts were based as follows:

Property Category	Assessed Value
Real Estate	
Residential/Agriculture	\$172,081,070
Commercial Industrial/Public Utility	\$75,174,000
Tangible Personal Property	
Public Utility	11,163,270
Total	\$258,418,340

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Maple Heights, and periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2017 and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2017 operations is offset to deferred inflows of resources – property taxes. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (CONTINUED)**

NOTE 8: **RECEIVABLES** (Continued)

Income Taxes

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

Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

Revenue Description	Amount
Local Government	\$ 370,762
Homestead and Rollback	264,158
Gasoline Tax	218,919
Motor Vehicle Registration	249,508
Miscellaneous	50,706
Grants	136,013
Total	\$ 1,290,066

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**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 9: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$ 310,031	\$ -	\$ -	\$ 310,031
Construction in progress	93,793	867,200	-	960,993
Total non-depreciable assets	<u>403,824</u>	<u>867,200</u>	<u>-</u>	<u>1,271,024</u>
Capital Assets, being depreciated:				
Buildings	11,636,871	42,215	-	11,679,086
Equipment	1,657,697	-	-	1,657,697
Vehicles	4,945,093	12,000	(59,507)	4,897,586
Infrastructure:				
Roads	33,640,003	-	-	33,640,003
Traffic Signals	3,107,785	-	-	3,107,785
Storm Sewers	23,512,905	-	-	23,512,905
Sidewalks	1,424,833	-	-	1,424,833
Total Capital Assets, being depreciated	<u>79,925,187</u>	<u>54,215</u>	<u>(59,507)</u>	<u>79,919,895</u>
Less Accumulated depreciation:				
Buildings	(6,916,723)	(235,981)	-	(7,152,704)
Equipment	(1,360,536)	(66,142)	-	(1,426,678)
Vehicles	(3,264,774)	(228,989)	27,617	(3,466,146)
Infrastructure:				
Roads	(12,680,862)	(812,506)	-	(13,493,368)
Traffic Signals	(2,338,376)	(155,390)	-	(2,493,766)
Storm Sewers	(6,352,044)	(310,570)	-	(6,662,614)
Sidewalks	(688,337)	(35,622)	-	(723,959)
Total Accumulated depreciation	<u>(33,601,652)</u>	<u>(1,845,200) *</u>	<u>27,617</u>	<u>(35,419,235)</u>
Total Capital Assets being depreciated, net	<u>46,323,535</u>	<u>(1,790,985)</u>	<u>(31,890)</u>	<u>44,500,660</u>
Governmental Activities Capital Assets, net	<u>\$ 46,727,359</u>	<u>\$ (923,785)</u>	<u>\$ (31,890)</u>	<u>\$ 45,771,684</u>

*Depreciation expense was charged to governmental activities as follows:

Security of Persons and Property	\$ 256,014
Transportation	1,003,518
General Government	57,938
Leisure Time Activities	111,519
Basic Utility Services	416,211
	<u>\$ 1,845,200</u>

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 10: INTERFUND TRANSFERS AND BALANCES

Interfund Transfers

During 2017, the General Fund transferred \$835,927 to other governmental funds as debt payments came due, to pay for street lighting payments and to provide additional resources for current operations.

Interfund Balances

During 2017, the General Fund had interfund payables to Other Governmental Funds in the amounts of \$778,422. The interfund receivables and payable are the result of deficit cash balances and are expected to be repaid within one year.

NOTE 11: LONG-TERM OBLIGATIONS

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

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Year of Maturity</u>
Governmental Activities			
<i>General Obligation Bonds</i>			
General Obligation Various Purpose	2.00%-5.25%	4,110,000	2018
General Obligation Various Purpose	.88%-4.87%	11,275,000	2030
Capital Appreciation Bonds	7.25%-7.5%	1,647,911	2024
<i>OPWC Loan</i>			
Southgate Park/Lee Road South Improvements	0%	185,649	2018
Lee Road Reconstruction	0%	86,370	2018
Industrial Avenue/E. 141st Improvement	0%	556,403	2023
Northfield Road Improvements	0%	360,000	2030
East 141st Street and Maple Heights Improvements	0%	333,013	2034
Broadway Sanitary Inreceptor Extension	0%	91,860	2043
Broadway Avenue Reconstruction	0%	381,774	2039
Sanitary Sewer Repair	0%	196,560	2047
Libby Road Reconstruction	0%	673,877 *	n/a
Lee Road Pavement Repairs	0%	269,370 *	n/a

* - estimated amount of project

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 11: LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations of the City during 2017 are as follows:

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017	Due in One Year
Governmental Activities					
General Obligations Bonds					
Various Purpose Bonds, due 2018	\$ 585,000	\$ -	\$ (285,000)	\$ 300,000	\$ 300,000
Unamortized Premium	11,210	-	(5,605)	5,605	-
Various Purpose and Refunding, due 2030	9,605,000	-	(505,000)	9,100,000	495,000
Capital Appreciation Bonds, due 2024	1,647,911	-	-	1,647,911	-
Accretion on Bonds	997,158	194,309	-	1,191,467	-
Unamortized Premium	500,246	-	(37,286)	462,960	-
Total general Obligation Bonds	<u>13,346,525</u>	<u>194,309</u>	<u>(832,891)</u>	<u>12,707,943</u>	<u>795,000</u>
OPWC Loans					
Southgate Park/Lee Road South	9,928	-	(4,964)	4,964	4,964
Lee Road Reconstruction	6,477	-	(4,318)	2,159	2,159
Industrial Avenue/E.141	194,742	-	(27,820)	166,922	27,820
Northfield Road	243,000	-	(18,000)	225,000	18,000
East 141st Street and Maple Heights	291,386	-	(16,651)	274,735	16,651
Broadway Sanitary Interceptor Extension	84,205	-	(3,062)	81,143	3,062
Broadway Avenue Reconstruction	343,597	-	(15,271)	328,326	15,271
Sanitary Sewer Repair	30,240	166,320	-	196,560	36,036
Libby Road Reconstruction	105,770	193,022	-	298,792	7,470
Lee Road Pavement Repair	219,293	27,209	-	246,502	4,930
Total OPWC Loans	<u>1,528,638</u>	<u>386,551</u>	<u>(90,086)</u>	<u>1,825,103</u>	<u>136,363</u>
Other long-term obligations:					
Net Pension Liability:					
OPERS	3,330,013	503,602	-	3,833,615	-
OP&F	16,834,067	-	(2,521,860)	14,312,207	-
Total Net Pension Liability	<u>20,164,080</u>	<u>503,602</u>	<u>(2,521,860)</u>	<u>18,145,822</u>	<u>-</u>
Capital leases payable	777,134	-	(151,807)	625,327	157,053
Compensated absences	1,683,079	299,470	(423,873)	1,558,676	409,546
Accrued police and fire pension liability	291,964	-	(10,691)	281,273	11,150
Total other long-term obligations	<u>22,916,257</u>	<u>803,072</u>	<u>(3,108,231)</u>	<u>20,611,098</u>	<u>577,749</u>
Total governmental Long-term Liabilities	<u>\$ 37,791,420</u>	<u>\$ 1,383,932</u>	<u>\$ (4,031,208)</u>	<u>\$ 35,144,144</u>	<u>\$ 1,509,112</u>

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

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

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 11: **LONG-TERM OBLIGATIONS** (Continued)

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

The serial and capital appreciation bonds remained outstanding at December 31, 2017. The capital appreciation bonds were originally sold at a discount of \$2,512,089, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2021 through 2024.

The maturity amount of outstanding capital appreciation bonds at December 31, 2017 is \$1,647,911. The accretion recorded for 2017 was \$194,309, for a total outstanding bond liability of \$2,839,378 at December 31, 2017.

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

Capital Leases Capital lease obligations will be paid from the fund that maintains custody of the related assets. Capital leases will be paid from the Ambulance Billing Special Revenue Fund and the Street Construction Maintenance and Repair Fund.

Compensated Absences The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Sewer Maintenance Fund, the Police Levy Fund, the Fire Levy Fund, the Ambulance Billing Fund, and the Street Construction Maintenance and Repair Special Revenue Fund.

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**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 11: **LONG-TERM OBLIGATIONS** (Continued)

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

The City's overall legal debt margin was \$14,425,820 with an unvoted debt margin of \$1,504,903 at December 31, 2017.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2017, were as follows:

Year	General Obligation Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 795,000	\$ 388,844	\$ -	\$ -
2019	830,000	353,294	-	-
2020	865,000	320,094	-	-
2021	-	-	460,502	579,498
2022	-	-	428,844	864,991
2023-2027	3,250,000	729,881	758,565	2,209,575
2028-2031	3,660,000	313,887	-	-
	<u>\$ 9,400,000</u>	<u>\$ 2,106,000</u>	<u>\$ 1,647,911</u>	<u>\$ 3,654,064</u>

Year	Governmental Activities		
	OPWC Loans	Accrued Police and Fire Pension	
	Principal	Principal	Interest
2018	\$ 136,363	\$ 11,150	11,837
2019	112,155	11,629	11,358
2020	112,155	11,629	10,859
2021	115,155	12,649	10,337
2022	115,155	13,193	9,794
2023-2027	449,495	74,967	39,969
2028-2032	376,675	92,507	22,426
2033-2037	273,401	53,549	3,387
2038-2042	127,746	-	-
2043-2044	6,803	-	-
	<u>\$ 1,825,103</u>	<u>\$ 281,273</u>	<u>\$ 119,967</u>

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (CONTINUED)**

NOTE 12: CAPITAL LEASES

During 2017, the City entered into a new lease agreement for a street sweeper. In prior years, the City entered into lease agreements for police cruisers, an ambulance, ambulance equipment, and a fire truck. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

	Governmental Activities
Equipment	\$ 79,598
Vehicles	862,913
Less: Accumulated Depreciation	(165,151)
Total	\$ 777,361

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2017.

	Governmental Activities
Year	
2018	\$ 179,091
2019	161,512
2020	121,915
2021	63,291
2022	43,572
2023-2025	130,713
Total minimum lease payments	700,094
Less: Amount representing interest	(74,767)
Present value of minimum lease payments	\$ 625,327

NOTE 13: COMPENSATED ABSENCES

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

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

**CITY OF MAPLE HEIGHTS
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NOTE 14: **RISK MANAGEMENT**

Property and Liability

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

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

Employee Insurance Benefits

The City provides life, health and dental benefits to full time city employees. Coverage is provided by a commercial insurance carrier under a shared-funding plan. The City will pay up to a predetermined amount toward each employee's health care costs after employees meet their deductible. Once this "funding corridor" has been met, the insurance company will pay the employee's remaining annual health care costs.

Workers' Compensation

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

NOTE 15: **DEFINED BENEFIT PENSION PLAN**

Net Pension Liability

The net pension liability/(asset) reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2017 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contributions was \$253,613 for 2017. Of this amount, \$29,943 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. 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 and detailed information about OP&F fiduciary net position. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF MAPLE HEIGHTS
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(CONTINUED)**

NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

**CITY OF MAPLE HEIGHTS
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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$868,447 for 2017. Of this amount, \$71,216 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2017, the specific liability of the City was \$281,273 payable in semi-annual payments through the year 2035.

Pension Liabilities, Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	OP&F Police	OP&F Fire	Total
Proportion of the Net Pension Liability/Asset					
Prior Measurement Date	0.019225%	0.006110%	0.121313%	0.140367%	
Proportion of the Net Pension Liability/Asset					
Current Measurement Date	0.016882%	0.029329%	0.100599%	0.125363%	
Change in Proportionate Share	-0.002343%	0.023219%	-0.020714%	-0.015004%	
 Proportionate Share of the Net Pension					
Liability/(Asset)	\$ 3,833,615	\$ (16,324)	\$ 6,371,840	\$ 7,940,367	\$ 18,129,498
Pension Expense	\$ 563,535	\$ 10,608	\$ 694,728	\$ 880,335	\$ 2,149,206

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NOTE 15: DEFINED BENEFIT PENSION PLAN (Continued)

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F Police</u>	<u>OP&F Fire</u>	<u>Total</u>
Deferred Outflows of Resources				
Net difference between projected and actual earnings on pension plan investments	\$574,897	\$619,634	\$772,166	\$1,966,697
Differences between expected and actual experience	5,196	1,803	2,247	9,246
Changes of assumptions	612,037	-	-	612,037
Changes in proportion and differences between City contributions and proportionate share of contributions	962	433,647	201,437	636,046
City contributions subsequent to the measurement date	<u>253,613</u>	<u>341,703</u>	<u>526,744</u>	<u>1,122,060</u>
Total Deferred Outflows of Resources	<u>\$1,446,705</u>	<u>\$1,396,787</u>	<u>\$1,502,594</u>	<u>\$4,346,086</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$31,164	\$14,671	\$18,283	\$64,118
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>389,235</u>	<u>935,893</u>	<u>677,905</u>	<u>2,003,033</u>
Total Deferred Inflows of Resources	<u>\$420,399</u>	<u>\$950,564</u>	<u>\$696,188</u>	<u>\$2,067,151</u>

\$1,122,060 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F Police</u>	<u>OP&F Fire</u>	<u>Total</u>
Year Ending December 31:				
2018	\$228,748	\$155,128	\$208,177	\$592,053
2019	374,533	155,129	208,176	737,838
2020	194,304	98,977	138,204	431,485
2021	(18,622)	(122,244)	(137,471)	(278,337)
2022	(1,738)	(164,155)	(124,181)	(290,074)
Thereafter	<u>(4,532)</u>	<u>(18,315)</u>	<u>(13,243)</u>	<u>(36,090)</u>
Total	<u>\$772,693</u>	<u>\$104,520</u>	<u>\$279,662</u>	<u>\$1,156,875</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

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 CUYAHOGA COUNTY, OHIO
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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

The total pension asset in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 8.25 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2014 Health Annuitant Mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observant period base of 2006 and then established the base year as 2015. For females, Health Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

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NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

City's proportionate share of the net pension liability/(asset)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Traditional Pension Plan	\$5,856,703	3,833,615	\$2,147,728
Combined Plan	\$1,173	(16,324)	(\$29,916)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent Simple

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(CONTINUED)**

NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2016 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 year Expected Real Rate of Return **</u>	<u>30 year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	4.46 %	5.21 %
Non-US Equity	16.00	4.66	5.40
Core Fixed Income *	20.00	1.67	2.37
Global Inflation Protected *	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Timber	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
Total	<u>120.00 %</u>		

* levered 2x

** numbers are net of expected inflation

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
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 (CONTINUED)**

NOTE 15: **DEFINED BENEFIT PENSION PLAN** (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 19,062,163	\$ 14,312,207	\$ 10,286,554

Changes Between Measurement Date and Report Date In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact the City's net pension liability.

NOTE 16: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. The trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 16: **POST-EMPLOYMENT BENEFITS** (Continued)

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. 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. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy - 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 coverage. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.00 percent of earnable salary and Public Safety and Law Enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.00 percent during calendar year 2017. As recommended by the OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.00 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent. The City's actual employer contributions for December 31, 2017, 2016 and 2015 which were used to fund post-employment benefits were \$21,292, \$46,885, and \$48,334, respectively. For 2017, 96.51 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

Ohio Police and Fire Pension Fund

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

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 16: **POST-EMPLOYMENT BENEFITS** (Continued)

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, OH 43215-5164. That report is also available on OP&F's website at www.op-f.org.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of 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, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 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. The portion of employer contributions allocated to health care was 0.50 percent of covered payroll from January 1, 2017 thru December 31, 2017.

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 the Sections 115 and 401(h).

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

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 16: **POST-EMPLOYMENT BENEFITS** (Continued)

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$8,110 and \$9,106 for the year ended December 31, 2017, \$11,740 and \$11,823 for the year ended December 31, 2016, and \$11,954 and \$10,955 for the year ended December 31, 2015, respectively. For 2017, 80.55 percent for police and 87.00 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

NOTE 17: **CONTINGENCIES**

Grants

The City received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2017.

Litigation

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

NOTE 18: **JOINTLY GOVERNED ORGANIZATIONS**

Southeast Area Law Enforcement Organization

The Southeast Area Law Enforcement Organization is comprised of seven municipalities in southeastern Cuyahoga County for the purpose of providing assistance in the form of a SWAT team, Bomb Unit, Investigation Unit, Narcotics Unit, Crisis Negotiation Team, and Communications Unit. The Organization is governed by a Board of Directors made up of one representative from each participating government. The degree of control exercised by any participating government is limited to its representation on the Board. In 2017, the City contributed \$25,000 to the Organization. The Southeast Area Law Enforcement Organization financial statements may be obtained by contacting the Finance Director of the City of Bedford, Ohio.

Northeast Ohio Public Energy Council

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 130 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 18: **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Maple Heights did not contribute to NOPEC during 2017. Financial information can be obtained by contacting the Board Chairman, at 31360 Solon Rd, Suite 33, Solon, Ohio 44139 or at the website www.nopecinfo.org.

Chagrin/Southeast Council of Governments

The Chagrin/Southeast Council of Governments operates the Chagrin/Southeast HazMat Response Team. The team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. The council is governed by a Board of Directors made up of one representative from each participating government. The degree of control exercised by any participating government is limited to its representation on the Board. In 2017, 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.

NOTE 19: **SHARED RISK POOL**

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

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

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$100,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop-loss coverage carried by the pool.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 19: **SHARED RISK POOL** (Continued)

The self-insurance pool will pay up to \$750,000 per policy year before the aggregate stop-loss coverage takes over. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2017, the City of Maple Heights paid \$115,958 in premiums from the General Fund, which represents 10.7 percent of the total premiums paid by all members. Financial information can be obtained by contacting the board chairman, the Finance Director at the City of Highland Heights, 5827 Highland Road, Highland Heights, Ohio 44143.

NOTE 20: **ENCUMBRANCES**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end there were no encumbrances expected to be honored upon performance by the vendor in the next year.

NOTE 21: **GOING CONCERN**

Ohio Revised Code Section 5705.10, in part, requires that money paid into any fund shall be expended only after such fund received monies to cover expenditures. The City has experienced a financial shortfall which has resulted in deficit spending in the General Fund of \$778,422 as of December 31, 2017. Continued operations are dependent upon the City's ability to meet financing requirements and current obligations.

The City's financial operations are expected to remain pressured as the City's overall liquidity is extremely narrow and revenue raising flexibility is limited due to lack of voter support. The City's General Fund reserve position has deteriorated steadily since fiscal 2007. The declines resulted from persistently negative operating results driven by a mix of declining property and income tax revenues and an inability to sufficiently contain costs. The City has been cutting expenditures consistently for the last five years, and the 2017 revenues exceeded expenses.

Going forward, the City has limited options for raising revenues. The City levies a continuous 2.5 percent municipal income tax, which comprises 54 percent of General Fund revenues. The City also levies a 15.5 mill property tax levy, which accounts for 16 percent of General Fund revenues. In November 2015, there was a measure on the ballot to increase property taxes, a 1.3 mill senior center levy, which would generate \$0.3 million annually. Voters approved the proposal, with 58.73 percent for the senior center levy.

With absent new revenues, the City is left solely with cost cutting measures to achieve sustainable budgetary balance.

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION
 LIABILITY
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST FOUR YEARS (1)**

Traditional Plan	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.016882%	0.019225%	0.023435%	0.023435%
City's Proportionate Share of the Net Pension Liability	\$3,833,615	\$3,330,013	\$2,826,523	\$2,762,681
City's Covered-Employee Payroll	\$2,186,775	\$2,393,275	\$2,882,650	\$3,493,300
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	175.31%	139.14%	98.05%	79.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%
Combined Plan	2017	2016	2015	2014
City's Proportion of the Net Pension (Asset)	0.029329%	0.006110%	0.010312%	0.010312%
City's Proportionate Share of the Net Pension (Asset)	(\$16,324)	(\$2,972)	(\$3,970)	(\$1,082)
City's Covered-Employee Payroll	\$114,167	\$22,242	\$37,975	\$39,231
City's Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Employee Payroll	14.30%	13.36%	10.45%	2.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	116.55%	116.90%	114.83%	104.33%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the City's measurement date which is the prior year end.

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION
 LIABILITY
 OHIO POLICE AND FIRE PENSION FUND
 LAST FOUR YEARS (1)**

Police	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.1005990%	0.1213130%	0.1076306%	0.1076306%
City's Proportionate Share of the Net Pension Liability	\$6,371,840	\$7,804,136	\$5,575,714	\$5,241,948
City's Covered-Employee Payroll	\$2,347,979	\$2,449,047	\$2,734,237	\$3,066,904
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	271.38%	318.66%	203.92%	170.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	71.71%	73.00%
Fire	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.1253630%	0.1403674%	0.1325268%	0.1325268%
City's Proportionate Share of the Net Pension Liability	\$7,940,367	\$9,029,931	\$6,865,441	\$6,454,471
City's Covered-Employee Payroll	\$2,364,519	\$2,132,115	\$2,675,136	\$2,885,388
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	335.81%	423.52%	256.64%	223.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	71.71%	73.00%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the City's measurement date which is the prior year end.

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY CONTRIBUTIONS
 OHIO PUBLIC EMPLOYEE RETIREMENT SYSTEM
 LAST FIVE YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Contractually Required Contributions</u>					
Traditional Plan	\$ 241,006	\$ 262,413	\$ 287,193	\$ 345,918	\$ 454,129
Combined Plan	12,607	13,700	2,669	4,557	5,100
Total Required Contributions	\$253,613	\$276,113	\$289,862	\$350,475	\$459,229
Contributions in Relation to the Contractually Required Contribution	(\$253,613)	(\$276,113)	(\$289,862)	(\$350,475)	(\$459,229)
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>City's Covered-Employee Payroll</u>					
Traditional Plan	\$1,853,892	\$2,186,775	\$2,393,275	\$2,882,650	\$3,493,300
Combined Plan	\$96,977	\$114,167	\$22,242	\$37,975	\$39,231
<u>Pension Contributions as a Percentage of Covered-Employee Payroll</u>					
Traditional Plan	13.00%	12.00%	12.00%	12.00%	13.00%
Combined Plan	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY CONTRIBUTIONS
 OHIO POLICE AND FIRE PENSION FUND
 LAST TEN YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Contractually Required Contributions</u>										
Police	\$341,703	\$446,116	\$465,319	\$519,505	\$482,424	\$364,265	\$410,697	\$662,094	\$597,600	\$564,630
Fire	\$526,744	\$555,662	\$501,047	\$628,657	\$583,714	\$474,116	\$504,259	\$706,789	\$700,866	\$693,849
Total Required Contributions	\$868,447	\$1,001,778	\$966,366	\$1,148,162	\$1,066,138	\$838,381	\$914,956	\$1,368,883	\$1,298,466	\$1,258,479
Contributions in Relation to the Contractually Required Contribution	(\$868,447)	(\$1,001,778)	(\$966,366)	(\$1,148,162)	(\$1,066,138)	(\$838,381)	(\$914,956)	(\$1,368,883)	(\$1,298,466)	(\$1,258,479)
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's Covered-Employee Payroll										
Police	\$1,798,437	\$2,347,979	\$2,449,047	\$2,734,237	\$3,066,904	\$2,856,980	\$3,221,153	\$5,192,894	\$4,687,059	\$4,428,471
Fire	\$2,241,464	\$2,364,519	\$2,132,115	\$2,675,136	\$2,885,388	\$2,748,499	\$2,923,241	\$4,097,328	\$4,062,991	\$4,022,313
<u>Pension Contributions as a Percentage of Covered- Employee Payroll</u>										
Police	19.00%	19.00%	19.00%	19.00%	[1]	12.75%	12.75%	12.75%	12.75%	12.75%
Fire	23.50%	23.50%	23.50%	23.50%	[1]	17.25%	17.25%	17.25%	17.25%	17.25%

[1] – The portion of the City's contributions to fund pension obligations from January 1, 2013 thru May 31, 2013, for both police officers and firefighters was 14.81 percent and 19.31 percent, respectively. The portion of the City's contributions to fund pension obligations from June 1, 2013 thru December 31, 2013 for both police officers and firefighters was 16.65 percent and 21.15 percent, respectively.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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

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

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

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Heights, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2018, wherein we noted the City has experienced a financial shortfall which has resulted in deficit spending in the General Fund

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we considered a significant deficiency as item **2017-002**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item **2017-001**.

City's Response to Findings

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

Purpose of This Report

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



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

June 25, 2018

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2017**

Finding Number 2017-001 - Material Noncompliance - Negative Cash Fund Balances

Condition/Criteria

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

During our review of the City’s general ledger, we noted that one fund had a negative cash balance at December 31, 2017:

<u>Major Fund</u>	<u>Deficit Cash Balance</u>
General Fund	\$ 778,422

Cause/Effect

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

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

Recommendation

We recommend that the City ensure its fund appropriations and expenditures are consistent with the purposes for which the funds were established. We also recommend that the City consult with its Law Director when questions arise regarding a fund’s intended use. We also recommend that the City monitor its cash balances on a regular basis in order to ensure that sufficient cash is on hand to pay for obligations and that the City utilize advances when necessary. This recommendation was implemented in 2018.

City’s Response

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

The current negative cash balance in the General Fund resulted from prior years’ excess expenditures, which culminated in 2014 and continued into 2016. This placed the City in a state of Fiscal Emergency declared February 13, 2015 by the Auditor of State. A five-year recovery plan to eliminate the deficit has been implemented.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017
(CONTINUED)**

Finding Number 2017-002 - Significant Deficiency - Financial Reporting

Condition/Criteria

Financial reporting is the responsibility of the City's Finance Department and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

During our review of the annual financial statements, we identified the following errors to the financial statements.

1. Overstatement of income tax receivable and deferred inflows of resources of \$704, 473.
2. Several advances totaling \$110,576 were recorded as transfers.
3. Understatement of intergovernmental receivable of \$136,013.
4. Understatement of EMS receivable of \$115,793.
5. Overstatement of Sewer Maintenance receivable of \$106,914.
6. Additional nonmaterial entries to correct accounts payable and intergovernmental payable.
7. SCMR special revenue fund not recorded as a major fund. This was a result of the above noted adjustments.

As a result, audit adjustments were proposed and made to correct the GAAP financial statements activity for 2017.

Cause/Effect

Without strong controls over financial reporting this resulted in errors which went undetected and decrease the reliability of financial data at year end.

Recommendation

We recommend that the City implement controls and procedures related to financial reporting that enables management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes. This recommendation was implemented in 2018.

City's Response

The City asserts that information was provided to the GAAP conversion team for the income taxes receivable and deferred inflows of resources of \$704,473, intergovernmental receivables of \$136,013, EMS receivable of \$115,793, and the sewer maintenance receivable of \$106,914. The City maintains that the SCMR Special Revenue Fund not being recorded as a major fund was an oversight by the GAAP conversion team

The City actively monitors the budget on a monthly basis and will amend appropriations to a level that does not exceed the amended certificate, including outstanding encumbrances.

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 SCHEDULE OF PRIOR FINDINGS AND RECOMMENDATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2017**

The prior issued audit report, as of December 31, 2016, included material noncompliance citations and significant deficiencies.

Finding Number	Finding Summary	Status	Additional Information
2016-001	Negative Cash Fund Balances	Not Corrected.	Repeated as Finding 2017-001.
2016-002	Expenditures Plus Encumbrances Exceeding Appropriations Plus Prior Year Encumbrances	Partially Corrected.	Reissued as Management Letter Comment
2016-003	Significant Deficiency - Internal Controls	Corrective Action Taken and Finding is Fully Corrected.	Finding for Recovery has been partially reimbursed through issuance.
2016-004	Bank Reconciliation	Corrective Action Taken and Finding is Fully Corrected.	None.

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



Dave Yost • Auditor of State

CITY OF MAPLE HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST, 21 2018**