

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

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

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

OHIO AUDITOR OF STATE
KEITH FABER

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Members of 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, 2019 through December 31, 2019. 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.



Keith Faber
Auditor of State
Columbus, Ohio

September 10, 2020

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**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

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

The Honorable Keith Faber
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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund, 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 discussed in Note 4 to the basic financial statements, the City restated its net position at December 31, 2018 to correct the overstatement of capital assets. Also, as discussed in Note 21, the City is in fiscal emergency. The financial statements do not include any adjustment that might result from the outcome of this uncertainty. Additionally, as discussed in Note 22, during 2019, the financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of the City. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit 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 July 22, 2020, 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 style.

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

July 22, 2020

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**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

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, 2019. 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 increased and expenses decreased from 2018 levels and the total net position saw an increase of \$9,336,078. 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 2019?" 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, 2019**

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, 2019**

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 2019 compared to 2018.

Table 1 - Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018 *	2019	2018	2019	2018 *
Assets						
Current and Other Assets	\$ 17,321,703	\$ 16,066,462	\$ 3,527,473	\$ 3,282,672	\$ 20,849,176	\$ 19,349,134
Capital Assets	42,875,852	43,469,715	-	-	42,875,852	43,469,715
Total Assets	60,197,555	59,536,177	3,527,473	3,282,672	63,725,028	62,818,849
Deferred Outflows of Resources						
Pension	5,883,535	2,780,056	-	-	5,883,535	2,780,056
OPEB	1,199,357	1,278,156	-	-	1,199,357	1,278,156
Total Deferred Outflows of Resources	7,082,892	4,058,212	-	-	7,082,892	4,058,212
Liabilities						
Current and Other Liabilities	1,117,246	1,539,271	2,331	131,076	1,119,577	1,670,347
Long-term Liabilities:						
Due within One Year	1,637,920	1,172,937	-	-	1,637,920	1,172,937
Due in More than One Year:						
Net Pension Liability	20,635,410	14,917,019	-	-	20,635,410	14,917,019
Net OPEB Liability	3,807,359	13,255,491	-	-	3,807,359	13,255,491
Other Amounts	13,823,475	14,904,282	-	-	13,823,475	14,904,282
Total Liabilities	41,021,410	45,789,000	2,331	131,076	41,023,741	45,920,076
Deferred Inflows of Resources						
Property Taxes	4,334,492	4,274,193	-	-	4,334,492	4,274,193
Pension	2,297,015	3,740,677	-	-	2,297,015	3,740,677
OPEB	1,522,307	1,247,828	-	-	1,522,307	1,247,828
Total Deferred Inflows of Resources	8,153,814	9,262,698	-	-	8,153,814	9,262,698
Net Position						
Net Investment in Capital Assets	31,191,028	30,660,709	-	-	31,191,028	30,660,709
Restricted	4,461,922	5,820,114	-	-	4,461,922	5,820,114
Unrestricted	(17,547,727)	(27,938,132)	3,525,142	3,151,596	(14,022,585)	(24,786,536)
Total Net Position	\$ 18,105,223	\$ 8,542,691	\$ 3,525,142	\$ 3,151,596	\$ 21,630,365	\$ 11,694,287

* Restated

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2019 and is reported pursuant to GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27.” The City previously adopted GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio’s statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City’s proportionate share of each plan’s collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Current liabilities decreased from 2018 mainly due to accounts payable and the timing of disbursements. Changes in deferred outflows of resources, net pension liability, net OPEB liability and deferred inflows of resources are mainly due to the recording of GASB 68 and 75 as previously discussed.

Total net position for governmental activities increased from 2018 levels and the total net position for business-type activity increased.

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.

Table 2 - Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services	\$ 2,712,173	\$ 2,208,750	\$ 2,036,745	\$ 1,939,307	\$ 4,748,918	\$ 4,148,057
Operating Grants and Contributions	2,217,147	2,241,699	-	-	2,217,147	2,241,699
Capital Grants and Contributions	27,421	-	-	-	27,421	-
General Revenues:						
Property Taxes	4,882,394	3,587,233	-	-	4,882,394	3,587,233
Municipal Income Taxes	7,544,901	6,553,940	-	-	7,544,901	6,553,940
Franchise Taxes	259,806	301,362	-	-	259,806	301,362
Grants and Entitlements	1,627,513	1,499,154	-	-	1,627,513	1,499,154
Investment Earnings	35,068	14,894	-	-	35,068	14,894
All Other Revenues	981,669	2,017,259	-	-	981,669	2,017,259
Total Revenues	20,288,092	18,424,291	2,036,745	1,939,307	22,324,837	20,363,598

Continued

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Table 2 - Change in Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program Expenses						
Security of Persons and Property	1,509,332	10,376,821	-	-	1,509,332	10,376,821
Public Health Services	109,674	99,957	-	-	109,674	99,957
Leisure Time Activities	767,305	494,385	-	-	767,305	494,385
Community Environment	683,989	626,261	-	-	683,989	626,261
Basic Utility Services	1,747,522	1,058,479	-	-	1,747,522	1,058,479
Transportation	2,261,204	2,216,082	-	-	2,261,204	2,216,082
General Government	3,083,597	3,003,481	-	-	3,083,597	3,003,481
Interest and Fiscal Charges	562,937	585,461	-	-	562,937	585,461
Solid Waste Collection	-	-	1,663,199	1,374,448	1,663,199	1,374,448
Total Program Expenses	10,725,560	18,460,927	1,663,199	1,374,448	12,388,759	19,835,375
Change in Net Position	9,562,532	(36,636)	373,546	564,859	9,936,078	528,223
Net Position, Beginning of Year, Restated	8,542,691	8,579,327	3,151,596	2,586,737	11,694,287	11,166,064
Net Position, End of Year	\$ 18,105,223	\$ 8,542,691	\$ 3,525,142	\$ 3,151,596	\$ 21,630,365	\$ 11,694,287

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 13.8 mills of outside millage.

The outside millage is generated from a 10.5 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 14.07 percent of total program expenses; general government expenses which accounted for 28.75 percent; basic utility services which accounted for 16.29 percent; and transportation which accounted for 21.08 percent. Overall, program expenses decreased by \$7,735,367 from 2018 program expense totals, this was mainly due to the recording of GASB 68 and 75 as previously discussed.

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 2019, charges for services for the collection of garbage fees are the only revenue source for the Fund. As a result of garbage collections increasing and expenses decreasing during the year, the City was also able to increase the net position.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

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 17 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 and other financing sources exceeded expenditures and other financing uses for the year with revenues and expenditures increasing from the previous year. The increase in revenues is largely due to an increase in property taxes.

The Water/Sewer Maintenance Fund expenditures exceeded revenues for the year, with revenues and other financing sources increasing from the previous year, and expenditures increasing from the previous year. The increase in revenue is due to an increase in grants received in 2019. The increase in expenditures is largely due to an increase project expenses.

The Street Construction Maintenance and Repair Fund revenues exceed expenditures for the year, with revenues and expenditures increasing from the previous year. The increase in expenditures is due to an increase in street construction projects.

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 2019, 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. Total 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.

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**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2019 balances of capital assets as compared to 2018.

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

	Governmental Activities	
	2019	2018*
Land	\$ 310,031	\$ 310,031
Construction-in-progress	1,318,218	539,630
Buildings and Improvements	4,459,197	4,298,058
Machinery and Equipment	149,880	162,490
Vehicles	1,005,219	1,179,107
Infrastructures	35,633,307	36,980,399
Total Capital Assets	\$ 42,875,852	\$ 43,469,715

* Restated

For 2019, 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, 2019.

Table 4 - Outstanding Obligations at December 31

	Governmental Activities	
	2019	2018
General Obligation Bonds	\$ 11,435,374	\$ 12,078,639
OPWC Loans	1,549,991	1,662,147
Capital Lease Payable	323,534	468,274
Accrued police and fire pension liability	258,494	270,123
Total Outstanding Debt	\$ 13,567,393	\$ 14,479,183

At December 31, 2019, the general obligation bonds outstanding consists of the 2010 Various Purpose Refunding Bonds and the 2010 Capital Appreciation Bonds. The 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, 2019**

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 and 75 requires the reader to perform additional calculations to determine the City's Total Net Position at December 31, 2019 without the implementation of GASB Statement No. 68 and 75. 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:

	Governmental Activities	Business-Type Activities
Total Net Position at December 31, 2019 (with GASB 68 and 75)	\$ 18,105,223	\$ 3,525,142
GASB 68 and 75 Calculations:		
Add: Deferred Inflows related to Pension	2,297,015	-
Net Pension Liability	20,635,410	-
Deferred Inflows related to OPEB	1,522,307	
Net OPEB Liability	13,823,475	
Less: Deferred Outflows related to Pension	(5,883,535)	-
Net Pension Asset	(23,792)	-
Deferred Outflows related to OPEB	(1,199,357)	
Total Net Position at December 31, 2019 (without GASB 68 and 75)	\$ 49,276,746	\$ 3,525,142

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, 2019**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 5,638,777	\$ 1,375,146	\$ 7,013,923
Accounts Receivable	1,423,403	2,152,242	3,575,645
Intergovernmental Receivable	1,761,310	-	1,761,310
Municipal Income Taxes Receivable	2,958,298	-	2,958,298
Property Taxes Receivable	5,173,701	-	5,173,701
Materials and Supplies Inventory	222,495	-	222,495
Prepaid Items	119,927	85	120,012
Net Pension Asset	23,792	-	23,792
Nondepreciable Capital Assets	1,628,249	-	1,628,249
Depreciable Capital Assets	41,247,603	-	41,247,603
Total Assets	60,197,555	3,527,473	63,725,028
DEFERRED OUTFLOWS OF RESOURCES			
Pension	5,883,535	-	5,883,535
OPEB	1,199,357	-	1,199,357
Total Deferred Outflows of Resources	7,082,892	-	7,082,892
LIABILITIES			
Accounts Payable	141,934	-	141,934
Contracts Payable	425,290	-	425,290
Accrued Wages and Benefits	325,679	2,164	327,843
Intergovernmental Payable	138,106	167	138,273
Accrued Interest Payable	32,012	-	32,012
Retainage Payable	54,225	-	54,225
Long-term Liabilities:			
Due within one year	1,637,920	-	1,637,920
Due in more than one year:			
Net Pension Liability	20,635,410	-	20,635,410
Net OPEB Liability	3,807,359	-	3,807,359
Other amounts	13,823,475	-	13,823,475
Total Liabilities	41,021,410	2,331	41,023,741
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	4,334,492	-	4,334,492
Pension	2,297,015	-	2,297,015
OPEB	1,522,307	-	1,522,307
Total Deferred Inflows of Resources	8,153,814	-	8,153,814
NET POSITION			
Net Investment in Capital Assets	31,191,028	-	31,191,028
Restricted for:			
Capital Projects	59,169	-	59,169
Streets and Highways	2,123,909	-	2,123,909
Sewer Maintenance	744,751	-	744,751
Community Development	326,122	-	326,122
Other Purposes	1,207,971	-	1,207,971
Unrestricted	(17,547,727)	3,525,142	(14,022,585)
Total Net Position	\$ 18,105,223	\$ 3,525,142	\$ 21,630,365

See accompanying Notes to the Basic Financial Statements

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
Security of Persons and Property	\$ 1,509,332	\$ 913,473	\$ 251,997	\$ 27,421	\$ (316,441)	\$ -	\$ (316,441)
Public Health Services	109,674	-	-	-	(109,674)	-	(109,674)
Leisure Time Activities	767,305	35,119	423,950	-	(308,236)	-	(308,236)
Community Environment	683,989	344,841	14,095	-	(325,053)	-	(325,053)
Basic Utility Services	1,747,522	851,822	145,899	-	(749,801)	-	(749,801)
Transportation	2,261,204	40,324	1,373,906	-	(846,974)	-	(846,974)
General Government	3,083,597	526,594	7,300	-	(2,549,703)	-	(2,549,703)
Interest and Fiscal Charges	562,937	-	-	-	(562,937)	-	(562,937)
Total Governmental activities	10,725,560	2,712,173	2,217,147	27,421	(5,768,819)	-	(5,768,819)
Business-type activities:							
Solid Waste Collection	1,663,199	2,036,745	-	-	-	373,546	373,546
Total Business-type activities	1,663,199	2,036,745	-	-	-	373,546	373,546
Total Primary Government	\$ 12,388,759	\$ 4,748,918	\$ 2,217,147	\$ 27,421	(5,768,819)	373,546	(5,395,273)
General Revenues:							
Property Taxes levied for:							
General Purposes					2,598,934	-	2,598,934
Debt Service Purpose					479,221	-	479,221
Other Purposes					1,804,239	-	1,804,239
Municipal Income Taxes levied for:							
General Purposes					7,544,901	-	7,544,901
Franchise Taxes					259,806	-	259,806
Grants & Entitlements not restricted to specific programs					1,627,513	-	1,627,513
Investment Income					35,068	-	35,068
All Other Revenues					981,669	-	981,669
Total General Revenues					<u>15,331,351</u>	<u>-</u>	<u>15,331,351</u>
Change in Net Position					9,562,532	373,546	9,936,078
Net Position - Beginning of Year, Restated					<u>8,542,691</u>	<u>3,151,596</u>	<u>11,694,287</u>
Net Position - End of Year					<u>\$ 18,105,223</u>	<u>\$ 3,525,142</u>	<u>\$ 21,630,365</u>

See accompanying Notes to the Basic Financial Statements

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General Fund	Water/Sewer Maintenance	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$ 2,168,158	\$ 340,473	\$ 1,289,814	\$ 1,840,332	\$ 5,638,777
Materials and Supplies Inventory	36,529	-	185,966	-	222,495
Accounts Receivable	443,693	572,485	3,930	403,295	1,423,403
Interfund Receivable	419,842	-	-	-	419,842
Intergovernmental Receivable	775,110	130,569	497,437	358,194	1,761,310
Municipal Income Taxes Receivable	2,958,298	-	-	-	2,958,298
Property Taxes Receivable	2,754,245	-	-	2,419,456	5,173,701
Prepaid Items	114,081	300	2,371	3,175	119,927
Total Assets	\$ 9,669,956	\$ 1,043,827	\$ 1,979,518	\$ 5,024,452	\$ 17,717,753
LIABILITIES					
Accounts Payable	\$ 126,686	\$ 1,701	\$ -	\$ 13,547	\$ 141,934
Accrued Wages and Benefits	255,375	7,668	11,096	51,540	325,679
Contracts Payable	72,382	218,699	134,209	-	425,290
Intergovernmental Payable	28,503	23,077	803	85,723	138,106
Retainage Payable	6,294	47,931	-	-	54,225
Interfund Payable	-	-	-	419,842	419,842
Total Liabilities	489,240	299,076	146,108	570,652	1,505,076
DEFERRED INFLOWS OF RESOURCES					
Property Taxes	2,305,368	-	-	2,029,124	4,334,492
Unavailable Revenue-Delinquent Property Taxes	448,877	-	-	390,332	839,209
Unavailable Revenue- Municipal Income Taxes	1,831,891	-	-	-	1,831,891
Unavailable Revenue-Special assessments	388,627	-	-	-	388,627
Unavailable Revenue-Other	614,800	475,513	299,081	663,227	2,052,621
Total Deferred Inflows of Resources	5,589,563	475,513	299,081	3,082,683	9,446,840
FUND BALANCES					
Nonspendable	150,610	300	188,337	3,175	342,422
Restricted	-	268,938	1,345,992	1,428,914	3,043,844
Committed	-	-	-	214,963	214,963
Assigned	33,809	-	-	-	33,809
Unassigned (Deficits)	3,406,734	-	-	(275,935)	3,130,799
Total Fund Balances	3,591,153	269,238	1,534,329	1,371,117	6,765,837
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,669,956	\$ 1,043,827	\$ 1,979,518	\$ 5,024,452	\$ 17,717,753

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, 2019**

Total Governmental Funds Balance		6,765,837
<i>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</i>		
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds		42,875,852
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:		
Delinquent Property Taxes	839,209	
Municipal Income taxes	1,831,891	
Special assessments	388,627	
Intergovernmental	1,209,177	
Charges for services	843,444	
Total	843,444	5,112,348
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due.		(32,012)
The net pension liability/asset and net OPEB liability are 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	23,792	
Deferred Outflows - Pension	5,883,535	
Deferred Inflows - Pension	(2,297,015)	
Net Pension Liability	(20,635,410)	
Deferred Outflows - OPEB	1,199,357	
Deferred Inflows - OPEB	(1,522,307)	
Net OPEB Liability	(3,807,359)	
Total	(3,807,359)	(21,155,407)
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	(7,775,000)	
Capital Appreciation Bonds	(3,271,986)	
OPWC Loans	(1,549,991)	
Capital leases	(323,534)	
Police and Fire Pension Liability	(258,494)	
Compensated absences	(1,894,002)	
Premium on Bonds	(388,388)	
Total	(15,461,395)	(15,461,395)
Net Position of Governmental Activities		18,105,223

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, 2019**

	General Fund	Water/Sewer Maintenance	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 2,589,630	\$ -	\$ -	\$ 2,275,143	\$ 4,864,773
Municipal Income Taxes	7,444,835	-	-	-	7,444,835
Franchise Taxes	259,806	-	-	-	259,806
Intergovernmental	1,553,599	983,054	1,062,151	929,142	4,527,946
Interest	34,597	-	471	-	35,068
Fees, Licenses, and Permits	686,688	-	-	52,118	738,806
Fines and Forfeitures	169,012	-	-	-	169,012
Charges for Services	349,109	791,977	-	626,936	1,768,022
Contributions and Donations	7,300	-	-	1,554	8,854
All Other Revenues	466,494	199,992	277,315	138,879	1,082,680
Total Revenues	<u>13,561,070</u>	<u>1,975,023</u>	<u>1,339,937</u>	<u>4,023,772</u>	<u>20,899,802</u>
EXPENDITURES					
Security of Persons and Property	6,635,090	-	-	2,701,902	9,336,992
Public Health Services	109,674	-	-	-	109,674
Leisure Time Activities	13,285	-	-	533,380	546,665
Community Environment	604,027	-	-	34,044	638,071
Basic Utility Services	195,493	1,849,944	-	-	2,045,437
Transportation	-	315,443	1,170,381	115,112	1,600,936
General Government	2,393,796	-	-	511,013	2,904,809
Debt Service:					
Principal Retirement	-	112,155	36,941	949,438	1,098,534
Interest and Fiscal Charges	-	-	2,497	378,927	381,424
Total Expenditures	<u>9,951,365</u>	<u>2,277,542</u>	<u>1,209,819</u>	<u>5,223,816</u>	<u>18,662,542</u>
Excess of Revenues (Under) Expenditures	<u>3,609,705</u>	<u>(302,519)</u>	<u>130,118</u>	<u>(1,200,044)</u>	<u>2,237,260</u>
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	5,512	-	-	-	5,512
Transfers In	-	-	-	1,194,283	1,194,283
Transfers Out	(1,194,283)	-	-	-	(1,194,283)
Total Other Financing Sources (Uses)	<u>(1,188,771)</u>	<u>-</u>	<u>-</u>	<u>1,194,283</u>	<u>5,512</u>
Net Change in Fund Balances	2,420,934	(302,519)	130,118	(5,761)	2,242,772
Fund Balances - Beginning of Year	1,170,219	571,757	1,404,211	1,376,878	4,523,065
Fund Balances - End of Year	<u>\$ 3,591,153</u>	<u>\$ 269,238</u>	<u>\$ 1,534,329</u>	<u>\$ 1,371,117</u>	<u>\$ 6,765,837</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, 2019**

Net Change in Fund Balances-Total Governmental Funds \$ 2,242,772

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

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

Capital Outlay	\$ 1,342,613	
Depreciation	(1,936,476)	
Total		(593,863)

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

Delinquent Property taxes	17,622	
Municipal income taxes	100,066	
Special assessments	(26,858)	
Intergovernmental	(744,334)	
Charges for services	36,282	
Total		(617,222)

Repayment of various debt obligations are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,098,525

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows 1,331,975

Pension		1,331,975
OPEB		25,406

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability and net OPEB liability are reported as pension expense in the statement of activities. (2,517,039)

Pension		(2,517,039)
OPEB		9,069,448

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	(295,966)	
Accrued interest on bonds	5,231	
Annual Accretion on Bonds	(224,021)	
Amortization of bond premiums	37,286	
Total		(477,470)

Change in Net Position of Governmental Activities \$ 9,562,532

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, 2019**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Municipal Income Taxes	\$ 7,007,981	\$ 7,161,893	\$ 7,457,762	\$ 295,869
Property Taxes	2,433,448	2,486,893	2,589,630	102,737
Intergovernmental	1,442,003	1,473,673	1,534,553	60,880
Charges for Services	319,816	326,840	340,342	13,502
Fees, Licenses, and Permits	787,058	804,343	837,572	33,229
Franchise Taxes	246,065	251,469	261,858	10,389
Contributions and Donations	6,860	7,010	7,300	290
Interest	32,510	33,224	34,597	1,373
Other	432,704	442,207	460,475	18,268
Total Revenues	12,708,445	12,987,552	13,524,089	536,537
Expenditures:				
Current:				
Security of Persons and Property	6,434,380	6,812,937	6,640,283	172,654
Public Health Services	109,675	109,675	109,674	1
Leisure Time Activities	24,010	27,160	13,684	13,476
Community Environment	695,020	668,930	613,337	55,593
Basic Utility Services	222,700	232,782	196,962	35,820
General Government	2,473,760	2,929,883	2,553,514	376,369
Total Expenditures	9,959,545	10,781,367	10,127,454	653,913
Excess of Revenues Over Expenditures	2,748,900	2,206,185	3,396,635	1,190,450
Other Financing Sources (Uses)				
Sale of Equipment	5,180	5,293	5,512	219
Transfer Out	(1,630,050)	(1,691,283)	(1,194,283)	497,000
Advances Out	-	(251,466)	(251,466)	-
Total Other Financing Sources (Uses)	(1,624,870)	(1,937,456)	(1,440,237)	497,219
Net Change in Fund Balance	1,124,030	268,729	1,956,398	1,687,669
Fund Balance at Beginning of Year	171,679	171,679	171,679	-
Fund Balance- End of Year	\$ 1,295,709	\$ 440,408	\$ 2,128,077	\$ 1,687,669

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, 2019**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 557,203	\$ 1,001,449	\$ 904,485	\$ (96,964)
Charges for Services	524,592	1,011,340	851,549	(159,791)
Other	123,205	193,660	199,992	6,332
Total Revenues	<u>1,205,000</u>	<u>2,206,449</u>	<u>1,956,026</u>	<u>(250,423)</u>
Expenditures:				
Current:				
Basic Utility Services	956,207	2,018,760	1,913,003	105,757
Transportation	244,838	516,907	323,532	193,375
Debt Service:				
Principal Retirement	112,155	112,155	112,155	-
Total Expenditures	<u>1,313,200</u>	<u>2,647,822</u>	<u>2,348,690</u>	<u>299,132</u>
Net Change in Fund Balance	(108,200)	(441,373)	(392,664)	48,709
Fund Balance at Beginning of Year	725,787	725,787	725,787	-
Fund Balance- End of Year	<u>\$ 617,587</u>	<u>\$ 284,414</u>	<u>\$ 333,123</u>	<u>\$ 48,709</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, 2019**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 820,000	\$ 780,260	\$ 994,874	\$ 214,614
Interest	-	-	471	471
Other	-	431,361	322,341	(109,020)
Total Revenues	<u>820,000</u>	<u>1,211,621</u>	<u>1,317,686</u>	<u>106,065</u>
Expenditures:				
Current:				
Transportation	1,304,500	1,644,695	1,278,702	365,993
Total Expenditures	<u>1,304,500</u>	<u>1,644,695</u>	<u>1,278,702</u>	<u>365,993</u>
Net Change in Fund Balance	(484,500)	(433,074)	38,984	472,058
Fund Balance at Beginning of Year	1,250,391	1,250,391	1,250,391	-
Fund Balance- End of Year	<u>\$ 765,891</u>	<u>\$ 817,317</u>	<u>\$ 1,289,375</u>	<u>\$ 472,058</u>

See accompanying Notes to the Basic Financial Statements

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 STATEMENT OF FUND NET POSITION
 ENTERPRISE FUND
 DECEMBER 31, 2019**

	Solid Waste Collection
ASSETS	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 1,375,146
Accounts Receivable	2,152,242
Prepaid Items	85
Total Assets	3,527,473
 LIABILITIES	
Current Liabilities:	
Accrued Wages and Benefits	2,164
Intergovernmental Payable	167
Total Liabilities	2,331
 NET POSITION	
Unrestricted	3,525,142
Total Net Position	\$ 3,525,142

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, 2019**

	Solid Waste Collection
OPERATING REVENUES	
Charges for Services	\$ 2,036,745
Total Operating Revenues	2,036,745
 OPERATING EXPENSES	
Salaries	58,089
Fringe Benefits	27,094
Contractual Services	1,557,584
Other	20,432
Total Operating Expense	1,663,199
Change in Net Position	373,546
 Net Position - Beginning of Year	3,151,596
Net Position - End of Year	\$ 3,525,142

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, 2019**

	Solid Waste Collection
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Charges for Services	\$ 2,066,027
Cash Payments to Employees for Services	(58,473)
Cash Payments for Employee Benefits	(27,447)
Cash Payments for Goods and Services	(1,685,677)
Other Cash Payments	(20,432)
Net Cash Provided by Operating Activities	273,998
Net Increase in Cash and Cash Equivalents	273,998
Cash and Cash Equivalents - Beginning of Year	1,101,148
Cash and Cash Equivalents - End of Year	\$ 1,375,146
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 373,546
(Increase)/Decrease in Assets:	
Accounts Receivable	29,282
Prepaid Items	(85)
Increase (Decrease) in Liabilities:	
Accounts Payable	(128,093)
Accrued Wages	(384)
Intergovernmental Payable	(268)
Net Cash Provided by Operating Activities	\$ 273,998

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, 2019**

	Agency Funds
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 670,592</u>
Total Assets	<u><u>670,592</u></u>
Liabilities	
Deposits Held and Due to Others	<u>670,592</u>
Total Liabilities	<u><u>\$ 670,592</u></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, 2019**

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.

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, 2019
(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, 2019
(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, 2019
(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, 2019
(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 pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 15 and 16.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance year 2020 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, intergovernmental, and charges for services. 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 and OPEB are reported on the government-wide statement of net position. The deferred inflows of resources related pension are explained in Notes 15 and 16.

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, 2019
(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 2019, 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 \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 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 2019 amounted to \$34,597.

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, 2019
 (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 acquisition 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:

<u>Description</u>	<u>Estimated Lives</u>
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, 2019
(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.

Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019
(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, 2019
(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.

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/Other Postemployment Benefits (OPEB)

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

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (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	\$ 114,081	\$ 300	\$ 2,371	\$ 3,175	\$ 119,927
Inventories	36,529	-	185,966	-	222,495
<i>Total Nonspendable</i>	<u>150,610</u>	<u>300</u>	<u>188,337</u>	<u>3,175</u>	<u>342,422</u>
<i>Restricted for</i>					
Road Improvements	-	-	-	215,368	215,368
Muni Motor Vehicle	-	-	-	19,822	19,822
Police and Fire Operations	-	-	-	304,358	304,358
Drug and Alcohol Enforcement	-	-	-	178,592	178,592
Economic Development	-	-	-	476,122	476,122
Recreation	-	-	-	119,451	119,451
Computer Technology	-	-	-	55,952	55,952
Sewer Maintenance	-	268,938	1,345,992	-	1,614,930
Debt Payment	-	-	-	80	80
Capital Improvements	-	-	-	59,169	59,169
<i>Total Restricted</i>	<u>-</u>	<u>268,938</u>	<u>1,345,992</u>	<u>1,428,914</u>	<u>3,043,844</u>
<i>Committed to</i>					
Ambulance Billing	-	-	-	214,963	214,963
<i>Total Committed</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,963</u>	<u>214,963</u>
<i>Assigned to</i>					
Fiscal Year 2020 Appropriations	6,359	-	-	-	6,359
Purchases on Order:					
Security of Person and Property	832	-	-	-	832
Community Environment	390	-	-	-	390
General Government	26,228	-	-	-	26,228
<i>Total Assigned</i>	<u>33,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,809</u>
<i>Unassigned (Deficit)</i>	3,406,734	-	-	(275,935)	3,130,799
Total Fund Balances	<u>\$ 3,591,153</u>	<u>\$ 269,238</u>	<u>\$ 1,534,329</u>	<u>\$ 1,371,117</u>	<u>\$ 6,765,837</u>

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (CONTINUED)**

NOTE 4: CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

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

GASB Statement No. 95, *Postponement of the Effect Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The City has postponed the implementation of GASB Statement No. 83, GASB Statement No. 84, GASB Statement No. 88 and GASB Statement No. 90.

During 2019, it was determined that the capital assets had been overstated by \$1,988,094. The correction to capital assets had the following effect on net position as reported December 31, 2018:

	Governmental Activities
Net Position December 31, 2018	\$ 10,530,785
Adjustments:	
Capital Assets	(1,988,094)
Restated Net Position December 31, 2018	\$ 8,542,691

NOTE 5: ACCOUNTABILITY AND COMPLIANCE

Accountability

Fund balance at December 31, 2019, included the following individual fund deficits:

	Deficit
<u>Nonmajor Governmental Funds</u>	
Street Lighting	\$ 5,632
Police Pension	44,682
Fire Pension	33,343
EMS Grant	11,621
SAFER Grant	123,041
FEMA Fire Grant	57,616
	\$ 275,935

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.

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (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, the Water/Sewer Maintenance Fund, and the Street Construction Maintenance and Repair 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. The Unclaimed Funds Fund is included in the General Fund (GAAP basis), but has a separate legally adopted budget (budget basis).

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.

	<u>General</u>	<u>Water/Sewer Maintenance</u>	<u>Street Construction Maintenance and Repair</u>
GAAP Basis	\$ 2,420,934	\$ (302,519)	\$ 130,118
Revenue Accruals	(26,501)	(18,997)	(22,252)
Expenditure Accruals	(400,105)	(63,797)	(68,443)
Unclaimed Funds Fund	(10,480)	-	-
Encumbrances (Budget Basis) outstanding at year end	<u>(27,450)</u>	<u>(7,351)</u>	<u>(439)</u>
Budget Basis	<u>\$ 1,956,398</u>	<u>\$ (392,664)</u>	<u>\$ 38,984</u>

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019
(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 \$2,800 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 \$6,636,939 and \$253,821 of the City's bank balance of \$6,909,674 was covered by Federal Depository Insurance and \$4,580,214 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name, and \$2,075,639 was uninsured and uncollateralized. The City's financial institutions were approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance.

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, 2019.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019, the City had \$1,044,776 invested in STAR Ohio.

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, 2019, 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, 2019
 (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 2019 for real and public utility property taxes represents collections of the 2018 taxes. Property tax payments received during 2019 for tangible personal property (other than public utility property) are for 2018 taxes.

2019 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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. 2019 public utility property taxes which became a lien December 31, 2019, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2019, was \$20.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2019 property tax receipts were based as follows:

Property Category	Assessed Value
Real Estate	
Residential/Agriculture	\$182,459,530
Commercial Industrial/Public Utility	\$82,463,830
Tangible Personal Property	
Public Utility	12,357,330
Total	\$277,280,690

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, 2019 and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2019 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, 2019
 (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	\$ 433,494
Homestead and Rollback	321,591
Gasoline Tax	403,983
Motor Vehicle Registration	133,787
Grants	468,455
Total	\$ 1,761,310

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**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (CONTINUED)**

NOTE 9: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Restated Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
<u>Governmental Activities</u>				
Capital Assets, not being depreciated:				
Land	\$ 310,031	\$ -	\$ -	\$ 310,031
Construction in progress	539,630	1,176,881	(398,293)	1,318,218
Total non-depreciable assets	<u>849,661</u>	<u>1,176,881</u>	<u>(398,293)</u>	<u>1,628,249</u>
Capital Assets, being depreciated:				
Buildings and Improvements	11,679,122	398,293	-	12,077,415
Machinery and Equipment	1,657,694	42,410	-	1,700,104
Vehicles	4,889,115	123,322	(42,491)	4,969,946
Infrastructure:				
Roads	33,640,003	-	-	33,640,003
Traffic Signals	3,107,785	-	-	3,107,785
Storm Sewers	23,477,905	-	-	23,477,905
Sidewalks	1,424,833	-	-	1,424,833
Total Capital Assets, being depreciated	<u>79,876,457</u>	<u>564,025</u>	<u>(42,491)</u>	<u>80,397,991</u>
Less Accumulated depreciation:				
Buildings and Improvements	(7,381,064)	(237,154)	-	(7,618,218)
Machinery and Equipment	(1,495,204)	(55,020)	-	(1,550,224)
Vehicles	(3,710,008)	(297,210)	42,491	(3,964,727)
Infrastructure:				
Roads	(14,290,673)	(840,577)	-	(15,131,250)
Traffic Signals	(2,649,156)	(155,389)	-	(2,804,545)
Storm Sewers	(6,970,717)	(315,506)	-	(7,286,223)
Sidewalks	(759,581)	(35,620)	-	(795,201)
Total Accumulated depreciation	<u>(37,256,403)</u>	<u>(1,936,476)</u> *	<u>42,491</u>	<u>(39,150,388)</u>
Total Capital Assets being depreciated, net	<u>42,620,054</u>	<u>(1,372,451)</u>	<u>-</u>	<u>41,247,603</u>
Governmental Activities Capital Assets, net	<u>\$ 43,469,715</u>	<u>\$ (195,570)</u>	<u>\$ (398,293)</u>	<u>\$ 42,875,852</u>

* Depreciation expense was charged to governmental activities as follows:

Security of Persons and Property	\$ 239,786
Transportation	997,108
General Government	79,154
Leisure Time Activities	139,376
Basic Utility Services	481,052
	<u>\$ 1,936,476</u>

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (CONTINUED)**

NOTE 10: **INTERFUND TRANSFERS AND BALANCES**

Interfund Transfers

During 2019, the General Fund transferred \$1,194,283 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 2019, Other Governmental Funds had interfund payables to the General Fund in the amount of \$419,842. The interfund receivables and payable are the result of short-term advances from the General Fund 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	.88%-4.87%	\$ 11,275,000	2030
Capital Appreciation Bonds	7.25%-7.5%	1,647,911	2024
<i>OPWC Loan</i>			
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%	298,792	2037
Lee Road Pavement Repairs	0%	246,502	2042

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

NOTE 11: LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations of the City during 2019 are as follows:

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019	Due in One Year
Governmental Activities					
General Obligations Bonds					
Various Purpose and Refunding, due 2030	\$ 8,605,000	\$ -	\$ (830,000)	\$ 7,775,000	\$ 865,000
Capital Appreciation Bonds, due 2024	1,647,911	-	-	1,647,911	-
Accretion on Bonds	1,400,054	224,021	-	1,624,075	-
Unamortized Premium	425,674	-	(37,286)	388,388	-
Total general Obligation Bonds	<u>12,078,639</u>	<u>224,021</u>	<u>(867,286)</u>	<u>11,435,374</u>	<u>865,000</u>
OPWC Loans					
Industrial Avenue/E.141	125,192	-	(27,820)	97,372	27,820
Northfield Road	198,000	-	(18,000)	180,000	18,000
East 141st Street and Maple Heights	249,760	-	(16,651)	233,109	16,651
Broadway Sanitary Interceptor Extension	76,550	-	(3,062)	73,488	3,062
Broadway Avenue Reconstruction	305,419	-	(15,271)	290,148	15,271
Sanitary Sewer Repair	186,732	-	(6,552)	180,180	6,552
Libby Road Reconstruction	283,852	-	(14,940)	268,912	14,940
Lee Road Pavement Repair	236,642	-	(9,860)	226,782	9,860
Total OPWC Loans	<u>1,662,147</u>	<u>-</u>	<u>(112,156)</u>	<u>1,549,991</u>	<u>112,156</u>
Other long-term obligations:					
Net Pension Liability:					
OPERS	2,326,226	1,850,440	-	4,176,666	-
OP&F	12,590,793	3,867,951	-	16,458,744	-
Total Net Pension Liability	<u>14,917,019</u>	<u>5,718,391</u>	<u>-</u>	<u>20,635,410</u>	<u>-</u>
Net OPEB Liability:					
OPERS	1,632,147	339,014	-	1,971,161	-
OP&F	11,623,344	-	(9,787,146)	1,836,198	-
Total Net OPEB Liability	<u>13,255,491</u>	<u>339,014</u>	<u>(9,787,146)</u>	<u>3,807,359</u>	<u>-</u>
Capital leases payable	468,274	-	(144,740)	323,534	110,101
Compensated absences	1,598,036	370,378	(74,412)	1,894,002	538,535
Accrued police and fire pension liability	270,123	-	(11,629)	258,494	12,128
Total other long-term obligations	<u>30,508,943</u>	<u>6,427,783</u>	<u>(10,017,927)</u>	<u>26,918,799</u>	<u>660,764</u>
Total governmental Long-term Liabilities	<u>\$ 44,249,729</u>	<u>\$ 6,651,804</u>	<u>\$ (10,997,369)</u>	<u>\$ 39,904,164</u>	<u>\$ 1,637,920</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, 2019
(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, 2019. 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, 2019 is \$1,647,911. The accretion recorded for 2019 was \$224,021, for a total outstanding bond liability of \$3,271,986 at December 31, 2019.

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 Water/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.

Net Pension Liability and Net OPEB Liability The City pays obligations related to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension liability and net OPEB liability. However, employer pension contributions are made from the following funds; the General Fund, the Police pension, Fire pension, Sewer Maintenance, Police Levy, Fire Levy, Ambulance Billing, Street Construction Maintenance and Repair, Computer Fee, and Senior Center Funds.

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (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 \$17,679,098 with an unvoted debt margin of \$3,815,064 at December 31, 2019.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2019, were as follows:

Year	Governmental Activities			
	General Obligation Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 865,000	\$ 320,094	\$ -	\$ -
2021	-	285,484	460,502	579,498
2022	-	285,494	428,844	611,156
2023	-	285,494	399,370	640,630
2024	-	285,494	359,195	680,805
2025-2029	5,640,000	989,794	-	-
2030	1,270,000	53,975	-	-
	\$ 7,775,000	\$ 2,505,829	\$ 1,647,911	\$ 2,512,089

Year	Governmental Activities		
	OPWC Loans	Accrued Police and Fire Pension	
	Principal	Principal	Interest
2020	\$ 112,156	\$ 12,128	\$ 11,358
2021	112,156	12,649	10,859
2022	112,156	13,193	10,337
2023	98,248	13,759	9,794
2024	84,336	14,351	9,227
2025-2029	421,679	81,544	36,750
2030-2034	315,025	100,626	18,452
2035-2039	203,265	10,244	1,353
2040-2044	74,590	-	-
2045-2046	16,380	-	-
	\$ 1,549,991	\$ 258,494	\$ 108,130

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (CONTINUED)**

NOTE 12: CAPITAL LEASES

In prior years, the City entered into lease agreements for a street sweeper, 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	251,939
Total	\$ 690,572

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, 2019.

	Governmental Activities
Year	
2020	\$ 121,915
2021	63,291
2022	43,572
2023	43,572
2024	43,572
2025	43,572
Total minimum lease payments	359,494
Less: Amount representing interest	(35,960)
Present value of minimum lease payments	\$ 323,534

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.

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CUYAHOGA COUNTY, OHIO
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(CONTINUED)**

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. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of the annual cost-of-living adjustment.

When a traditional plan 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)

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the members' contributions plus or minus the investment gains or losses resulting from the members' investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2019 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within combined plan are not used to fund the defined benefit retirement allowance

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with remainder going to pension.

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

The City's contractually required contributions was \$318,280 for 2019. Of this amount, \$24,582 is reported as an intergovernmental payable.

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

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.

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 participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the members' base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one 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:

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2019 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 \$1,013,695 for 2019. Of this amount, \$79,749 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, 2019, the specific liability of the City was \$258,494 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, 2018, 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, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. 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	0.014828%	0.027624%	0.081253%	0.123894%	
Proportion of the Net Pension Liability/Asset					
Current Measurement Date	0.015250%	0.021277%	0.082940%	0.118695%	
Change in Proportionate Share	0.000422%	-0.00635%	0.001687%	-0.005199%	
Proportionate Share of the Net Pension					
Liability/(Asset)	\$ 4,176,666	\$ (23,792)	\$ 6,770,096	\$ 9,688,648	\$ 20,611,618
Pension Expense	\$ 720,485	\$ 6,490	\$ 660,801	\$ 1,129,263	\$ 2,517,039

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

At December 31, 2019, 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	\$572,014	\$834,069	\$1,193,633	\$2,599,716
Differences between expected and actual experience	194	278,159	398,069	676,422
Changes of assumptions	368,901	179,485	256,859	805,245
Changes in proportion and differences between City contributions and proportionate share of contributions	59,580	305,312	105,285	470,177
City contributions subsequent to the measurement date	<u>318,280</u>	<u>428,137</u>	<u>585,558</u>	<u>1,331,975</u>
Total Deferred Outflows of Resources	<u>\$1,318,969</u>	<u>\$2,025,162</u>	<u>\$2,539,404</u>	<u>\$5,883,535</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$64,560	\$6,321	\$9,048	\$79,929
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>120,847</u>	<u>1,345,297</u>	<u>750,942</u>	<u>2,217,086</u>
Total Deferred Inflows of Resources	<u>\$185,407</u>	<u>\$1,351,618</u>	<u>\$759,990</u>	<u>\$2,297,015</u>

\$1,331,975 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, 2020. 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:				
2020	\$290,972	\$160,419	\$413,180	\$864,571
2021	206,651	(21,966)	152,165	336,850
2022	52,361	(71,234)	162,678	143,805
2023	265,018	197,166	449,077	911,261
2024	(736)	(18,978)	16,756	(2,958)
Thereafter	<u>1,016</u>	<u>-</u>	<u>-</u>	<u>1,016</u>
Total	<u>\$815,282</u>	<u>\$245,407</u>	<u>\$1,193,856</u>	<u>\$2,254,545</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.

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

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. 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, 2018, 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	7.2 percent
Actuarial Cost Method	Individual Entry Age

The total pension asset in the December 31, 2018, 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	7.2 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the previously 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 three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. 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. 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 was at a loss of 2.94 percent for 2018.

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 2018 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 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	<u>100.00 %</u>	<u>5.95 %</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 7.2 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 7.2 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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

City's proportionate share of the net pension liability/(asset)	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Traditional Pension Plan	\$ 6,170,150	\$ 4,176,666	\$ 2,520,063
Combined Plan	\$ (7,872)	\$ (23,792)	\$ (35,320)

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2018, are presented below:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple, 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Mortality rates for active members were based on the RP2014 Total employee and Healthy Annuitant Mortality Tables rolled back to 2006, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

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

The most recent experience study was completed January 1, 2017.

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, 2018 are summarized on the following pages:

<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	0.00 %	1.00 %	0.80 %
Domestic Equity	16.00	5.60	5.50
Non-US Equity	16.00	6.10	5.90
Core Fixed Income *	23.00	2.20	2.60
U.S. Inflation Linked Bonds *	17.00	1.30	2.30
High Yield Fixed Income	7.00	4.20	4.80
Real Estate	12.00	5.70	6.10
Private Markets	8.00	8.40	8.40
Master Limited Partnerships	8.00	6.70	6.40
Private Credit	5.00	8.30	7.50
Real Assets	<u>8.00</u>	7.00	7.00
Total	<u>120.00 %</u>		

Note: Assumptions are geometric

* levered 2x

** numbers are net of expected inflation

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

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.

Discount Rate The total pension liability was calculated using the discount rate of 8.00 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 8.00 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 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 21,633,885	\$ 16,458,744	\$ 12,134,166

NOTE 16: **DEFINED BENEFIT OPEB PLAN**

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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NOTE 16: **DEFINED BENEFIT OPEB PLAN** (Continued)

The net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB 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 - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit 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. This 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, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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NOTE 16: **DEFINED BENEFIT OPEB PLAN** (Continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS' CAFR referenced below for additional information.

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 Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 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 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 0 percent during calendar year 2018. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care 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 into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

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

The City's contractually required contribution was \$1,680 for 2019.

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(CONTINUED)**

NOTE 16: **DEFINED BENEFIT OPEB PLAN** (Continued)

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement 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 Government Accounting Standards Board (GASB) Statement No. 75.

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. 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.

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 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 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. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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NOTE 16: **DEFINED BENEFIT OPEB PLAN** (Continued)

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

The City's contractually required contribution to OP&F was \$23,726 for 2019. Of this amount, \$182 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.015030%	0.205147%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.015119%</u>	<u>0.201635%</u>	
Change in Proportionate Share	<u>0.000089%</u>	<u>-0.003512%</u>	
Proportionate Share of the Net OPEB			
Liability	\$ 1,971,161	\$ 1,836,198	\$ 3,807,359
OPEB Expense	\$ 121,988	\$ (9,191,436)	\$ (9,069,448)

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NOTE 16: **DEFINED BENEFIT OPEB PLAN** (Continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$668	\$0	\$668
Changes of assumptions	63,552	951,797	1,015,349
Net difference between projected and actual earnings on pension plan investments	90,366	62,158	152,524
Changes in proportion and differences between City contributions and proportionate share of contributions	5,410	0	5,410
City contributions subsequent to the measurement date	<u>1,680</u>	<u>23,726</u>	<u>25,406</u>
Total Deferred Outflows of Resources	<u><u>\$161,676</u></u>	<u><u>\$1,037,681</u></u>	<u><u>\$1,199,357</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$5,348	\$49,196	\$54,544
Changes of assumptions	0	508,346	508,346
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>67,997</u>	<u>891,420</u>	<u>959,417</u>
Total Deferred Inflows of Resources	<u><u>\$73,345</u></u>	<u><u>\$1,448,962</u></u>	<u><u>\$1,522,307</u></u>

\$25,406 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2020	\$11,025	(\$70,159)	(\$59,134)
2021	15,138	(70,159)	(55,021)
2022	14,966	(70,159)	(55,193)
2023	45,522	(51,357)	(5,835)
2024	0	(80,998)	(80,998)
Thereafter	<u>0</u>	<u>(92,175)</u>	<u>(92,175)</u>
Total	<u><u>\$86,651</u></u>	<u><u>(\$435,007)</u></u>	<u><u>(\$348,356)</u></u>

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

NOTE 16: **DEFINED BENEFIT OPEB PLAN** (Continued)

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.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

**CITY OF MAPLE HEIGHTS
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NOTE 16: **DEFINED BENEFIT OPEB PLAN** (Continued)

The long-term expected rate of return on health care 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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 5.60 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 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	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	<u>100.00 %</u>	5.16 %

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NOTE 16: **DEFINED BENEFIT OPEB PLAN** (Continued)

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$2,521,849	\$1,971,161	\$1,533,218

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care.

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NOTE 16: **DEFINED BENEFIT OPEB PLAN** (Continued)

A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$1,894,713	\$1,971,161	\$2,059,208

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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NOTE 16: **DEFINED BENEFIT OPEB PLAN** (Continued)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	4.66 percent
Prior measurement date	3.24 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended January 1, 2017.

**CITY OF MAPLE HEIGHTS
 CUYAHOGA COUNTY, OHIO
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NOTE 16: **DEFINED BENEFIT OPEB PLAN** (Continued)

The long-term expected rate of return on OPEB 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 expected. 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, 2018, 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	0.00 %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Core Fixed Income *	23.00	2.20	2.60
U.S. Inflation Linked Bonds *	17.00	1.30	2.30
High Yield Fixed Income	7.00	4.20	4.80
Real Estate	12.00	5.70	6.10
Private Markets	8.00	8.40	8.40
Master Limited Partnerships	8.00	6.70	6.40
Private Credit	5.00	8.30	7.50
Real Assets	8.00	7.00	7.00
Total	<u>120.00 %</u>		

Note: Assumptions are geometric

* 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 the 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.

Discount Rate The total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index.

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NOTE 16: **DEFINED BENEFIT OPEB PLAN** (Continued)

The OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	\$2,236,991	\$1,836,198	\$1,499,768

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate because it is based on a medical benefit that is a flat dollar amount.

Changes between Measurement Date and Report Date

Beginning January 1, 2019 OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

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, 2019.

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 2019, the City contributed \$5,000 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 235 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, 2019
(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 2019. 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 2019, the City did not make a contribution 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, Eastlake, University Heights, Beachwood, 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, 2019
 (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 2019, the City of Maple Heights paid \$136,074 in premiums from the General Fund. 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 year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General	\$	27,450
Water/Sewer Maintenance		7,351
Street Construction Maintenance and Repair		439
Other Governmental Funds		144,676
Total	\$	179,916

NOTE 21: **FISCAL EMERGENCY**

On February 13, 2015, the Auditor of State declared the City of Maple Heights to be in a state of fiscal emergency in accordance with section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a financial planning and supervision commission. The commission is comprised of a representative of the Office of Budget and Management, a representative of the Treasurer of State, the mayor, president of city council, and three individuals appointed by the Governor who are residents of the City and meet certain criteria.

In accordance with Section 118.06 of the Ohio Revised Code, the City is required to submit to the Commission a financial recovery plan for the City which outlines the measures to be taken to eliminate the fiscal emergency conditions. The City adopted its initial financial recovery plan in 2015 and this plan has been subsequently updated.

The more significant steps taken by the City to alleviate the fiscal emergency conditions include staff reductions, voluntary and involuntary furlough days, union contract concessions, and passage of an additional \$1.3 mill property tax levy in November 2015.

The General Fund had a cash fund balance of \$2,168,158 as of December 31, 2019.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

NOTE 22: **SUBSEQUENT EVENTS**

On January 23, 2020 the Financial Planning and Supervision Commission for the City requested to be released from fiscal emergency.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. As a part of the emergency measures, the Governor of the State of Ohio ordered non-essential businesses to close and issued “stay at home” orders in March 2020 which are still ongoing. The income tax deadline in Ohio was also extended from April 15, 2020 to July 15, 2020. As a result, the City expects decreased income tax collections in 2020, decreased local government and other revenues from the State of Ohio, and a delay in receiving net profit and individual income taxes. Management and elected officials plan to closely monitor revenue collections and apply expenditure controls to ensure the continued financial viability of the City; however, the exact financial impact cannot be determined at this time.

**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 SIX YEARS (1)**

Traditional Plan	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.015250%	0.014828%	0.016882%	0.019225%	0.023435%	0.023435%
City's Proportionate Share of the Net Pension Liability	\$4,176,666	\$2,326,226	\$3,833,615	\$3,330,013	\$2,826,523	\$2,762,681
City's Covered Payroll	\$2,096,014	\$1,853,892	\$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 Payroll	199.27%	125.48%	175.31%	139.14%	98.05%	79.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension (Asset)	0.021277%	0.027624%	0.029329%	0.006110%	0.010312%	0.010312%
City's Proportionate Share of the Net Pension (Asset)	(\$23,793)	(\$37,606)	(\$16,324)	(\$2,972)	(\$3,970)	(\$1,082)
City's Covered Payroll	\$109,550	\$96,977	\$114,167	\$22,242	\$37,975	\$39,231
City's Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Payroll	21.72%	38.78%	14.30%	13.36%	10.45%	2.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	126.64%	137.28%	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.

See accompanying notes to the required supplementary information

**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 SIX YEARS (1)**

Police	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.082940%	0.0812534%	0.1005990%	0.1213130%	0.1076306%	0.1076306%
City's Proportionate Share of the Net Pension Liability	\$6,770,096	\$4,986,882	\$6,371,840	\$7,804,136	\$5,575,714	\$5,241,948
City's Covered Payroll	\$2,070,047	\$1,798,437	\$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 Payroll	327.05%	277.29%	271.38%	318.66%	203.92%	170.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%
Fire	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.118695%	0.1238940%	0.1253630%	0.1403674%	0.1325268%	0.1325268%
City's Proportionate Share of the Net Pension Liability	\$9,688,648	\$7,603,911	\$7,940,367	\$9,029,931	\$6,865,441	\$6,454,471
City's Covered Payroll	\$2,423,447	\$2,241,464	\$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 Payroll	399.79%	339.24%	335.81%	423.52%	256.64%	223.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	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.

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Contractually Required Contributions</u>							
Traditional Plan	297,873	293,442	241,006	262,413	287,193	345,918	454,129
Combined Plan	20,407	15,337	12,607	13,700	2,669	4,557	5,100
Total Required Contributions	\$318,280	\$308,779	\$253,613	\$276,113	\$289,862	\$350,475	\$459,229
Contributions in Relation to the Contractually Required Contribution	(\$318,280)	(\$308,779)	(\$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>\$0</u>	<u>\$0</u>
<u>City's Covered Payroll</u>							
Traditional Plan	\$2,127,664	\$2,096,014	\$1,853,892	\$2,186,775	\$2,393,275	\$2,882,650	\$3,493,300
Combined Plan	\$145,764	\$109,550	\$96,977	\$114,167	\$22,242	\$37,975	\$39,231
<u>Pension Contributions as a Percentage of Covered Payroll</u>							
Traditional Plan	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
Combined Plan	14.00%	14.00%	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.

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<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>Contractually Required Contributions</u>										
Police	\$428,137	\$393,309	\$341,703	\$446,116	\$465,319	\$519,505	\$482,424	\$364,265	\$410,697	\$446,754
Fire	\$585,558	\$569,510	\$526,744	\$555,662	\$501,047	\$628,657	\$583,714	\$474,116	\$504,259	\$508,005
Total Required Contributions	\$1,013,695	\$962,819	\$868,447	\$1,001,778	\$966,366	\$1,148,162	\$1,066,138	\$838,381	\$914,956	\$954,759
Contributions in Relation to the Contractually Required Contribution	(\$1,013,695)	(\$962,819)	(\$868,447)	(\$1,001,778)	(\$966,366)	(\$1,148,162)	(\$1,066,138)	(\$838,381)	(\$914,956)	(\$954,759)
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>
<u>City's Covered Payroll</u>										
Police	\$2,253,353	\$2,070,047	\$1,798,437	\$2,347,979	\$2,449,047	\$2,734,237	\$3,066,904	\$2,856,980	\$3,221,153	\$3,503,953
Fire	\$2,491,736	\$2,423,447	\$2,241,464	\$2,364,519	\$2,132,115	\$2,675,136	\$2,885,388	\$2,748,499	\$2,923,241	\$2,944,957
<u>Pension Contributions as a Percentage of Covered Payroll</u>										
Police	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	[1]	12.75%	12.75%	12.75%
Fire	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%	[1]	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.

See accompanying notes to the required supplementary information

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

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.015119%	0.015030%	0.016930%
City's Proportionate Share of the Net OPEB Liability	\$ 1,971,161	\$ 1,632,147	\$ 1,709,988
City's Covered Payroll	\$ 2,230,365	\$ 2,129,194	\$ 2,339,831
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	88.38%	76.66%	73.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

(1) Information prior to 2017 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 calendar year end.

See accompanying notes to the required supplementary information

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

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.201635%	0.205147%	0.225960%
City's Proportionate Share of the Net OPEB Liability	\$ 1,836,198	\$ 11,623,344	\$ 10,725,813
City's Covered Payroll	\$ 4,493,494	\$ 4,039,901	\$ 4,712,498
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	40.86%	287.71%	227.60%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

(1) Information prior to 2017 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 calendar year end.

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,680	\$ 1,389	\$ 22,988	\$ 47,663	\$ 48,300
Contributions in Relation to the Contractually Required Contribution	<u>(1,680)</u>	<u>(1,389)</u>	<u>(22,988)</u>	<u>(47,663)</u>	<u>(48,300)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 2,315,429	\$ 2,230,365	\$ 2,129,194	\$ 2,339,831	\$ 2,426,989
Contributions as a Percentage of Covered Payroll	0.07%	0.06%	1.08%	2.04%	1.99%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	\$ 23,726	\$ 22,467	\$ 23,573	\$ 23,563	\$ 22,909	\$ 27,300	\$ 213,655	\$ 378,010	\$ 414,747	\$ 414,124
Contributions in Relation to the Contractually Required Contribution	<u>(23,726)</u>	<u>(22,467)</u>	<u>(23,573)</u>	<u>(23,563)</u>	<u>(22,909)</u>	<u>(27,300)</u>	<u>(213,655)</u>	<u>(378,010)</u>	<u>(414,747)</u>	<u>(414,124)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 4,745,089	\$ 4,493,494	\$ 4,039,901	\$ 4,712,498	\$ 4,581,162	\$ 5,409,373	\$ 5,952,292	\$ 5,605,479	\$ 6,144,394	\$ 6,448,910
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	3.62%	6.75%	6.75%	6.75%

See accompanying notes to the required supplementary information

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2019**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. 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. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2019.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time.

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
OHIO POLICE AND FIRE (OP&F) PENSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the investment rate of return was reduced from 8.25 percent to 8.00 percent (b) the projected salary increases was reduced from 4.25% to 3.75% (c) the payroll increases was reduced from 3.75% to 3.25% (d) the inflation assumptions was reduced from 3.25% to 2.75% (e) the cost of living adjustments was reduced from 2.60% to 2.20% (f) rates of withdrawal, disability and service retirement were updated to reflect recent experience (g) mortality rates were updated to the RP-2014 Total Employee and Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2016 (h) 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 2016. For 2019, there have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2019. See below regarding changes to stipend-based model.

Changes in assumptions: For 2018, the single discount rate changed from 3.79 percent to 3.24 percent. For 2019, the changes of assumptions were: (a) beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years (b) beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%.

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

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

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

The Honorable Keith Faber
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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 22, 2020, wherein we noted the City restated its net position at December 31, 2018 to correct the overstatement of capital assets; the City is in fiscal emergency; and the financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of the City.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

July 22, 2020

**CITY OF MAPLE HEIGHTS
CUYAHOGA COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The prior issued audit report, as of December 31, 2018, included a significant deficiency.

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Status</u>	<u>Additional Information</u>
2018-001	Cash Reconciliation	Corrected.	None

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

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF MAPLE HEIGHTS

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/22/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov