
Citizen Auditors of Ohio

Loren Sengstock, Citizen Auditor

2704 Arbor Glen, Suite 105, Twinsburg, OH 44087-3084

Phone: (330) 888-9459

E-mail: citizenauditorohio@yahoo.com Website: <http://www.citizenauditorohio.com>

April 14, 2015

Governmental Funds - Historical Analysis Summary – City of Cleveland Heights

The General Funds are a major portion of total Governmental Funds of local governments (General Fund is approximately 70%+/- of Governmental Funds in Cleveland Heights) and are used to record all operational funds activity. The combined Governmental Funds are recorded for the past ten (10) years, averaged for revenues, expenditures, and other financing sources and then graphically presented for analysis in the attached analysis Exhibits “A” thru “I” and a brief description(s) are as follows:

Exhibit description(s)

Exhibit “A” – Data input from Audited Financial Reports and 10 year averages along with GFOA (Government Finance Officers Association) Fund Balance(s) recommendations, Capital Outlay compared to Annual Capital Assets Depreciation;

Exhibit “B” – Current Audit Year compared to the 10 year average and variances in percentages. Designed for comparison of current year to 10 year averages to quick analysis of financial trending;

Exhibit “C” – Graphic representation of annual revenue, expenditures, and accumulated fund balances compared to the GFOA recommendation for graphic trending;

Exhibit “D” – Graphic comparison of current year expenditures by various function/program to the 10 year averages;

Exhibit “E” - Graphic comparison of current year revenues by various function/source to the 10 year averages;

Exhibit “F” – Graphic representation of Governmental Funds Balance and Annual Net Changes in Funds Balance and trending averages;

Exhibit “G” – Graphic report of Annual Accumulated Depreciation compared to Annual Accumulated Capital Outlay;

Exhibit “H” – Graphic Report of **General Government** (i.e. are City Council, Mayor, Civil Service, Human Resources, Information Technology, Law Director, Finance Department, Engineering Department, Building Department, Planning Department, and Economic Development) expenditures; **Security of Persons & Property** (i.e. are Police, Fire, Dispatch, and EMT) expenditures; **Leisure Time Activities** (i.e. are Parks, Recreation, Liberty Park, Golf Course, Fitness Center, etc) expenditures; **Transportation** (i.e. are Roads, Sidewalks, Storm Sewers, Snow Plowing, etc) expenditures and the 2 year moving average trend lines;

Exhibit “I” – Graphic Report of **Capital Outlay** (i.e. are Investments in land, buildings, roads, storm sewers, fire/police equipment, dump trucks, and other capital assets) expenditures; **Debt Service** (i.e. are Principal & Interest on bonds, etc) expenditures; **Public Health** (i.e. are County Health Department, etc) expenditures; **Community Development** (i.e. includes depreciation expenses) expenditures; and 2 year moving average trend lines.

Exhibit 'C' is a trending average of the annual total revenues, expenditures, accumulated carryover Fund Balance, and recommended minimum Governmental Fund Officers Association (GFOA). It is designed to assist in the analysis of financial resources (revenues, expenditures, fund balance) for sustainability of program services and stability of funds balance. The GFOA minimum recommendation is used as a benchmark and the actual carryover funds balance is subject to various factors including unknown financial risks to revenue sources; however, any funds balance below 25% or above 100% could be indications of under or over surplus. Exhibit 'F' is a historical graphic of accumulated funds balance and annual net changes (gain or loss) of the operations of the General Funds.

Overall analysis of the City of Cleveland Heights in Cuyahoga County, Ohio indicates a decrease in total *revenues for 2013 of (2.6%) less than the 10 year average* and total expenditures *increased 3.3% more than the 10 year average*. A review Exhibit 'B' also reflects a *6.2% increase in General Government*, 14.2 % in Public Safety , and 22.9% in Transportation. The largest decreases are (22.7%) in Capital Outlay, (19%) in Culture/Recreation, and (15.3%) in Community Development. Current budgetary/financial planning by the City appears to result in spending more than is received in revenues with Capital Outlay most likely the primary target during economic downturns or revenue shortfalls. The community is most likely experiencing pressure on health care cost containment, wages increases, and lost revenue(s) from the State of Ohio along with the general economic situation faced here in Ohio.

A review of Exhibit 'C ' reveals that the accumulated carryover funds balance is closely aligned with the GFOA recommendation of 25% and amounts to \$13.36 million dollars at the end of 2013 or 23.4%.

The capital outlay needs of most communities usually suffer without specific budgetary due diligence and utilization of the total annual depreciation as a spending benchmark for capital outlay. Depreciation in governmental accounting is more accurately viewed in term of the depletion of assets, since there are no tax advantages to a non-profit local government, and the benefits of capital assets are used to serve the residents. The roads, sidewalks, buildings, police cars, fire equipment, dump

trucks, snow plows, etc exist as tools in serving to promote the public health, safety, and welfare of its residents and therefore on average Capital Outlay expenditures in line with the annual depletion/depreciation thereof should be given serious consideration by City Council and the Mayor/City Manager. The Governmental Funds total depreciation in 2013 is approximately \$4.7 million dollars and Capital Outlay totaled \$1.8 million which is 61% less than total depreciation (depletion), a trend that should be addressed with a Mayor/City Manager proposed and City Council adopted policy. The Capital Outlay costs should not be viewed as a budgetary leftover program at budget time but a primary program which directly benefits the residents. See Exhibit 'G' for the graphic analysis report.

The graph in Exhibit 'C' of the annual totals of revenues, expenditures, accumulated funds balance Vs. the GFOA recommended minimum indicates relative stability, however, it appears revenues are consistently less than expenditures. Communities are better served when the increases or decreases in accumulated carryover Funds balance is disclosed in the notes as what use(s) are intended for the surplus or the issuance of a funds balance policy containing the risks and variables to justify the amount(s) being accumulated in Funds balance. This would be a preferable policy to say just pulling a number out of the air which tends to be arbitrary and therefore not factually or financially based.

The graph in Exhibit 'F' indicates that the accumulated general funds balance and annual net changes in funds balance are positive in seven of the last ten years. There are indications by the graphic representation of excessive spending which is a negative indicator. Exhibit 'F' further reveals the possible issues in budgetary planning of estimated expenditures exceeding estimated revenues or deficit spending. A minimum fund balance policy would address and establish a mechanism to avoid this issue(s).

In summary, our analysis reports indicate that the City of Cleveland Heights is maintaining a reasonable carryover governmental fund balance but is an example of many communities in that there deficit spending and reductions in capital outlay are obvious. The City has spent \$13.5 million less in Capital Outlay over the past ten years than accumulated depreciation and that negative trend should be addressed by City Council.

This report is prepared and presented for an analysis of Governmental Funds historical data from audited financial reports (State Auditor Website) of the governmental funds. The purpose is to report whether or not the City of Cleveland Heights is providing for the sustainable utilization of Governmental funds and there financial resources in providing for the basic governmental service operations and capital outlay of the City of Cleveland Heights. It appears from our analysis reports that the City of Cleveland Heights should evaluate closely their annual deficit spending and review a long range strategic plan for the sustainable and stable provision of basic health, safety, and welfare of its residents. The City of Cleveland Heights should consider initiating a minimum fund balance policy for all major funds to provide a stable benchmark for budgetary and financial planning purposes. The City should also consider implementing a five year financial forecast/plan to aid in the development of revenue forecasting and budgetary stability.

If anyone reviewing this report has any questions, issue(s), or concerns, please contact Citizen Auditors of Ohio at the contact information contained hereon. The data and opinions contained in this report are those of Mr. Loren Sengstock, Citizen Auditor. The reports and any opinions contained herein are those of Citizen Auditors of Ohio only and no charges for or expenses were incurred in the production thereof.

City of Cleveland Heights, Cuyahoga County, Ohio Historical Report of Governmental Funds

Exhibit 'A'

Description	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	Annual 10 Year Average (1)	Annual 10 Year Average % (1)
Revenues:												
Property Taxes	\$ 9,476,596	\$ 9,906,172	\$ 10,040,053	\$ 10,576,318	\$ 11,123,154	\$ 11,223,599	\$ 11,634,160	\$ 10,742,779	\$ 10,930,941	\$ 12,376,008	\$ 10,802,978	19.6%
Municipal Income Tax	\$ 21,676,288	\$ 23,022,254	\$ 19,359,768	\$ 20,623,037	\$ 20,282,703	\$ 21,826,496	\$ 22,022,446	\$ 22,768,921	\$ 20,798,981	\$ 20,276,910	\$ 21,265,780	38.5%
Admissions Tax	\$ 101,414	\$ 107,516	\$ 273,716	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,265	0.1%
Charges for Services	\$ 5,541,130	\$ 5,156,842	\$ 4,909,865	\$ 3,571,709	\$ 3,535,575	\$ 2,895,109	\$ 3,520,404	\$ 3,453,756	\$ 3,034,867	\$ 2,717,941	\$ 3,833,720	6.9%
Licenses, Permits, & Fees	\$ 2,042,386	\$ 1,957,712	\$ 1,664,970	\$ 1,865,516	\$ 1,845,466	\$ 1,721,725	\$ 1,546,256	\$ 1,258,928	\$ 1,327,248	\$ 1,099,908	\$ 1,633,012	3.0%
Fines & Forfeitures	\$ 3,215,569	\$ 2,937,542	\$ 2,789,862	\$ 2,956,629	\$ 3,062,880	\$ 2,994,955	\$ 2,377,640	\$ 3,215,637	\$ 3,254,822	\$ 2,812,162	\$ 2,961,770	5.4%
Intergovernmental	\$ 7,900,584	\$ 10,602,604	\$ 9,983,844	\$ 12,879,753	\$ 10,780,543	\$ 11,248,160	\$ 11,351,954	\$ 9,808,274	\$ 8,785,344	\$ 10,139,761	\$ 10,348,082	18.7%
Special Assessments	\$ 1,944,755	\$ 1,982,802	\$ 1,939,289	\$ 1,451,905	\$ 1,504,940	\$ 1,525,849	\$ 1,469,507	\$ 1,460,640	\$ 1,461,639	\$ 1,237,577	\$ 1,597,890	2.9%
Investment Income	\$ 43,610	\$ 45,811	\$ 127,999	\$ 169,445	\$ 112,881	\$ 416,354	\$ 657,279	\$ 628,230	\$ 342,165	\$ 179,557	\$ 272,333	0.5%
Franchise Taxes	\$ 551,694	\$ 588,325	\$ 565,476	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,550	0.3%
Miscellaneous Income	\$ 1,284,388	\$ 2,531,802	\$ 1,906,366	\$ 2,530,200	\$ 2,533,055	\$ 3,551,511	\$ 1,978,668	\$ 1,738,224	\$ 2,364,989	\$ 2,152,259	\$ 2,257,146	4.1%
Total Revenues	\$ 53,778,414	\$ 58,839,382	\$ 53,561,208	\$ 56,624,512	\$ 54,781,197	\$ 57,403,758	\$ 56,558,314	\$ 55,075,389	\$ 52,300,996	\$ 52,992,083	\$ 55,191,525	100.0%
Expenditures:												
General Government	\$ 15,394,711	\$ 15,354,284	\$ 14,645,346	\$ 15,815,325	\$ 13,832,810	\$ 15,579,103	\$ 14,907,466	\$ 13,289,052	\$ 12,385,439	\$ 12,966,859	\$ 14,417,040	26.0%
Public Safety	\$ 21,216,050	\$ 20,796,144	\$ 19,736,539	\$ 18,400,270	\$ 17,132,779	\$ 17,469,045	\$ 17,607,171	\$ 18,343,503	\$ 18,057,194	\$ 17,002,404	\$ 18,576,110	33.6%
Public Health Services	\$ 362,178	\$ 362,103	\$ 385,716	\$ 360,312	\$ 386,646	\$ 400,213	\$ 414,663	\$ 423,239	\$ 432,265	\$ 441,036	\$ 396,837	0.7%
Transportation	\$ 5,877,513	\$ 5,162,780	\$ 5,057,282	\$ 3,069,299	\$ 2,970,122	\$ 3,673,791	\$ 3,819,214	\$ 4,522,818	\$ 7,418,116	\$ 6,237,771	\$ 4,780,871	8.6%
Community Development	\$ 5,065,872	\$ 6,163,082	\$ 5,944,549	\$ 6,302,268	\$ 5,255,571	\$ 5,785,519	\$ 5,909,549	\$ 6,456,465	\$ 5,645,509	\$ 7,305,467	\$ 5,983,385	10.8%
Sanitation	\$ 2,350,856	\$ 2,417,960	\$ 2,248,499	\$ 2,134,046	\$ 2,119,740	\$ 2,598,622	\$ 2,618,865	\$ 3,081,125	\$ 3,026,639	\$ 2,799,102	\$ 2,539,545	4.6%
Culture and Recreation	\$ 2,489,045	\$ 2,628,806	\$ 2,477,521	\$ 2,767,008	\$ 2,933,068	\$ 3,037,248	\$ 3,460,288	\$ 4,007,032	\$ 3,711,215	\$ 3,452,859	\$ 3,096,409	5.6%
Capital Outlay	\$ 1,778,253	\$ 2,330,729	\$ 1,276,062	\$ 6,274,534	\$ 3,555,156	\$ 4,965,356	\$ 4,353,749	\$ 13,676	\$ 23,215	\$ 37,735	\$ 2,460,847	4.4%
Debt Service	\$ 2,658,134	\$ 2,843,303	\$ 5,151,700	\$ 2,487,348	\$ 2,844,318	\$ 2,420,555	\$ 2,925,712	\$ 2,917,789	\$ 2,919,516	\$ 3,945,115	\$ 3,111,349	5.6%
Total Expenditures	\$ 57,192,612	\$ 58,059,191	\$ 56,923,214	\$ 57,610,410	\$ 51,030,210	\$ 55,929,452	\$ 56,016,677	\$ 53,054,699	\$ 53,619,108	\$ 54,188,348	\$ 55,362,392	100.0%
Operating Income (Loss)	\$ (3,414,198)	\$ 780,191	\$ (3,362,006)	\$ (985,898)	\$ 3,750,987	\$ 1,474,306	\$ 541,637	\$ 2,020,690	\$ (1,318,112)	\$ (1,196,265)	\$ (170,867)	
Other Financing Sources (Transfers)	\$ 591,549	\$ (710,312)	\$ 106,065	\$ 665,733	\$ (445,490)	\$ (211,521)	\$ (673,885)	\$ (279,473)	\$ 1,192,164	\$ 3,301,732	\$ 353,656	
Net Change in Fund Balance	\$ (2,822,649)	\$ 69,879	\$ (3,255,941)	\$ (320,165)	\$ 3,305,497	\$ 1,262,785	\$ (132,248)	\$ 1,741,217	\$ (125,948)	\$ 2,105,467	\$ 182,789	
Fund Balance (Deficit) Beginning of Year	\$ 16,186,097	\$ 16,116,218	\$ 19,372,159	\$ 16,427,178	\$ 13,121,681	\$ 11,858,896	\$ 11,991,144	\$ 10,249,927	\$ 10,375,875	\$ 8,270,408	\$ 13,396,958	
Fund Balance (Deficit) End of Year	\$ 13,363,448	\$ 16,186,097	\$ 16,116,218	\$ 16,107,013	\$ 16,427,178	\$ 13,121,681	\$ 11,858,896	\$ 11,991,144	\$ 10,249,927	\$ 10,375,875	\$ 13,579,748	
Ending Fund Balance as % of Expenditures (1)	23.4%	27.9%	28.3%	28.0%	32.2%	23.5%	21.2%	22.6%	19.1%	19.1%	24.5%	
Cash & Cash Equivalents - End of Year	\$ 12,377,984	\$ 15,152,869	\$ 14,797,892	\$ 13,466,038	\$ 13,024,450	\$ 12,975,592	\$ 11,639,666	\$ 11,221,121	\$ 10,872,395	\$ 11,001,438	\$ 12,652,945	
Cash & Cash Equivalents as % of Expenditures (1)	21.6%	26.1%	26.0%	23.4%	25.5%	23.2%	20.8%	21.2%	20.3%	20.3%	22.9%	
Ending Fund Balance at GFOA 25% Average(1)	\$ 3,340,862	\$ 4,046,524	\$ 4,029,055	\$ 4,026,753	\$ 4,106,795	\$ 3,280,420	\$ 2,964,724	\$ 2,997,786	\$ 2,562,482	\$ 2,593,969	\$ 3,394,937	
Ending Fund Balance as % = GFOA 25% Average (1)	5.8%	7.0%	7.1%	7.0%	8.0%	5.9%	5.3%	5.7%	4.8%	4.8%	6.1%	
Excess Ending Fund Balance Vs. GFOA 25% Average (1)	\$ 9,037,122	\$ 11,106,345	\$ 10,768,838	\$ 9,439,285	\$ 8,917,656	\$ 9,695,172	\$ 8,674,942	\$ 8,223,335	\$ 8,309,913	\$ 8,407,469	\$ 9,258,008	
Excess % Fund Balance More (Less) than GFOA Average (1)	270.5%	274.5%	267.3%	234.4%	217.1%	295.5%	292.6%	274.3%	324.3%	324.1%	272.7%	
Annual Governmental Funds Depreciation Expensed	\$4,681,545	\$4,434,148	\$4,516,729	\$3,577,716	\$3,572,566	\$3,691,568	\$3,482,902	\$3,547,230	\$3,365,310	\$3,255,500		
Annual Capital Outlay - Governmental Funds	\$1,778,253	\$2,330,729	\$1,276,062	\$6,274,534	\$3,555,156	\$4,965,356	\$4,353,749	\$13,676	\$23,215	\$37,735		
Accumulated Governmental Funds Depreciation	\$ 4,681,545	\$ 9,115,693	\$ 13,632,422	\$ 17,210,138	\$ 20,782,704	\$ 24,474,272	\$ 27,957,174	\$ 31,504,404	\$ 34,869,714	\$ 38,125,214		
Accumulated Capital Outlay - Governmental Funds	\$1,778,253	\$4,108,982	\$5,385,044	\$11,659,578	\$15,214,734	\$20,180,090	\$24,533,839	\$24,547,515	\$24,570,730	\$24,608,465		

Data Source: Audited Financial Reports - Ohio State Auditor GAAP Basis Governmental Funds

(1) Calculated Fields

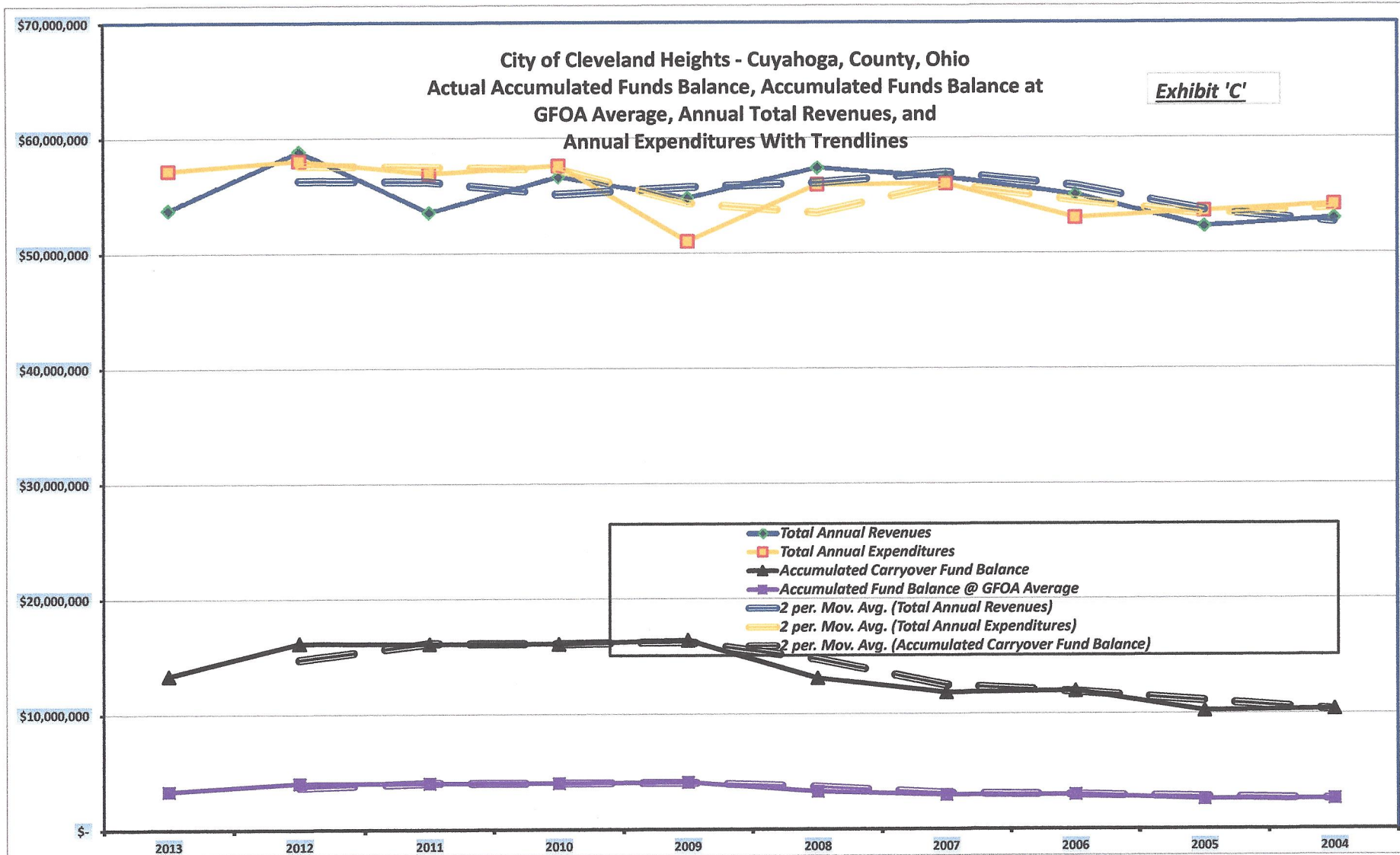
City of Cleveland Heights - Cuyahoga, County, Ohio Historical Report of Governmental Funds - Variance Report 2013 Vs. 10 Year Average

Exhibit 'B'

Description	2013	2013	Annual 10 Year	Annual 10 Year	Variance 2013	Variance 2013
		% of Total	Average	% of Total	to 10 Yr Average	to 10 Yr %
			(1)	(1)	(1)	(1)
Revenues:						
Property Taxes	\$ 9,476,596	17.6%	\$ 10,802,978	19.6%	\$ (1,326,382)	-12.3%
Municipal Income Tax	\$ 21,676,288	40.3%	\$ 21,265,780	38.5%	\$ 410,508	1.9%
Admissions Tax	\$ 101,414	0.2%	\$ 48,265	0.1%	\$ 53,149	110.1%
Charges for Services	\$ 5,541,130	10.3%	\$ 3,833,720	6.9%	\$ 1,707,410	44.5%
Licenses, Permits, & Fees	\$ 2,042,386	3.8%	\$ 1,633,012	3.0%	\$ 409,375	25.1%
Fines & Forfeitures	\$ 3,215,569	6.0%	\$ 2,961,770	5.4%	\$ 253,799	8.6%
Intergovernmental	\$ 7,900,584	14.7%	\$ 10,348,082	18.7%	\$ (2,447,498)	-23.7%
Special Assessments	\$ 1,944,755	3.6%	\$ 1,597,890	2.9%	\$ 346,865	21.7%
Investment Income	\$ 43,610	0.1%	\$ 272,333	0.5%	\$ (228,723)	-84.0%
Franchise Taxes	\$ 551,694	1.0%	\$ 170,550	0.3%	\$ 381,145	223.5%
Miscellaneous Income	\$ 1,284,388	2.4%	\$ 2,257,146	4.1%	\$ (972,758)	-315.5%
Total Revenues	\$ 53,778,414	100.0%	\$ 55,191,525	100.0%	\$ (1,413,111)	-2.6%
Expenditures:						
General Government	\$ 15,394,711	26.9%	\$ 14,417,040	26.0%	\$ 977,672	6.8%
Public Safety	\$ 21,216,050	37.1%	\$ 18,576,110	33.6%	\$ 2,639,940	14.2%
Public Health Services	\$ 362,178	0.6%	\$ 396,837	0.7%	\$ (34,659)	-8.7%
Transportation	\$ 5,877,513	10.3%	\$ 4,780,871	8.6%	\$ 1,096,642	22.9%
Community Development	\$ 5,065,872	8.9%	\$ 5,983,385	10.8%	\$ (917,513)	-15.3%
Sanitation	\$ 2,350,856	4.1%	\$ 2,539,545	4.6%	\$ (188,689)	-7.4%
Culture and Recreation	\$ 2,489,045	4.4%	\$ 3,096,409	5.6%	\$ (607,364)	-19.6%
Capital Outlay	\$ 1,778,253	3.1%	\$ 2,460,847	4.4%	\$ (682,594)	-27.7%
Debt Service	\$ 2,658,134	4.6%	\$ 3,111,349	5.6%	\$ (453,215)	-14.6%
Total Expenditures	\$ 57,192,612	100.0%	\$ 55,362,392	100.0%	\$ 1,830,220	3.3%
Operating Income (Loss)	\$ (3,414,198)		\$ (170,867)		\$ (3,243,331)	-67.2%
Other Financing Sources (Transfers)	\$ 591,549		\$ 353,656		\$ 237,893	67.3%
Net Change in Fund Balance	\$ (2,822,649)		\$ 182,789		\$ (3,005,438)	-1644.2%
Fund Balance (Deficit) Beginning of Year	\$ 16,186,097		\$ 13,396,958		\$ 2,789,139	20.8%
Fund Balance (Deficit) End of Year	\$ 13,363,448		\$ 13,579,748		\$ (216,300)	-1.6%
Ending Fund Balance as % of Expenditures (1)	23.4%		24.5%		-1.2%	

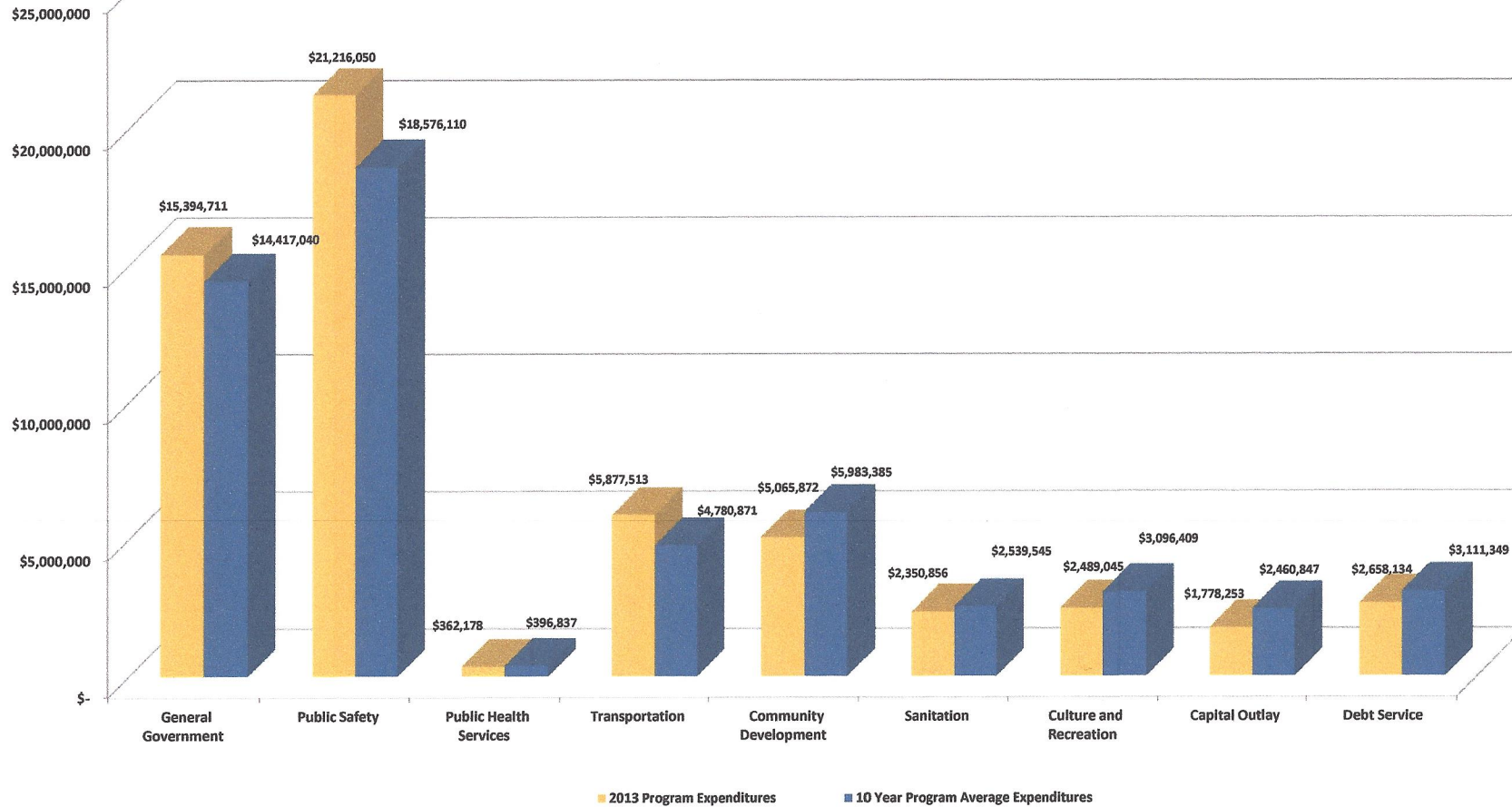
Data Source: Audited Financial Reports - Ohio State Auditor GAAP Basis Governmental Funds

(1) Calculated Fields



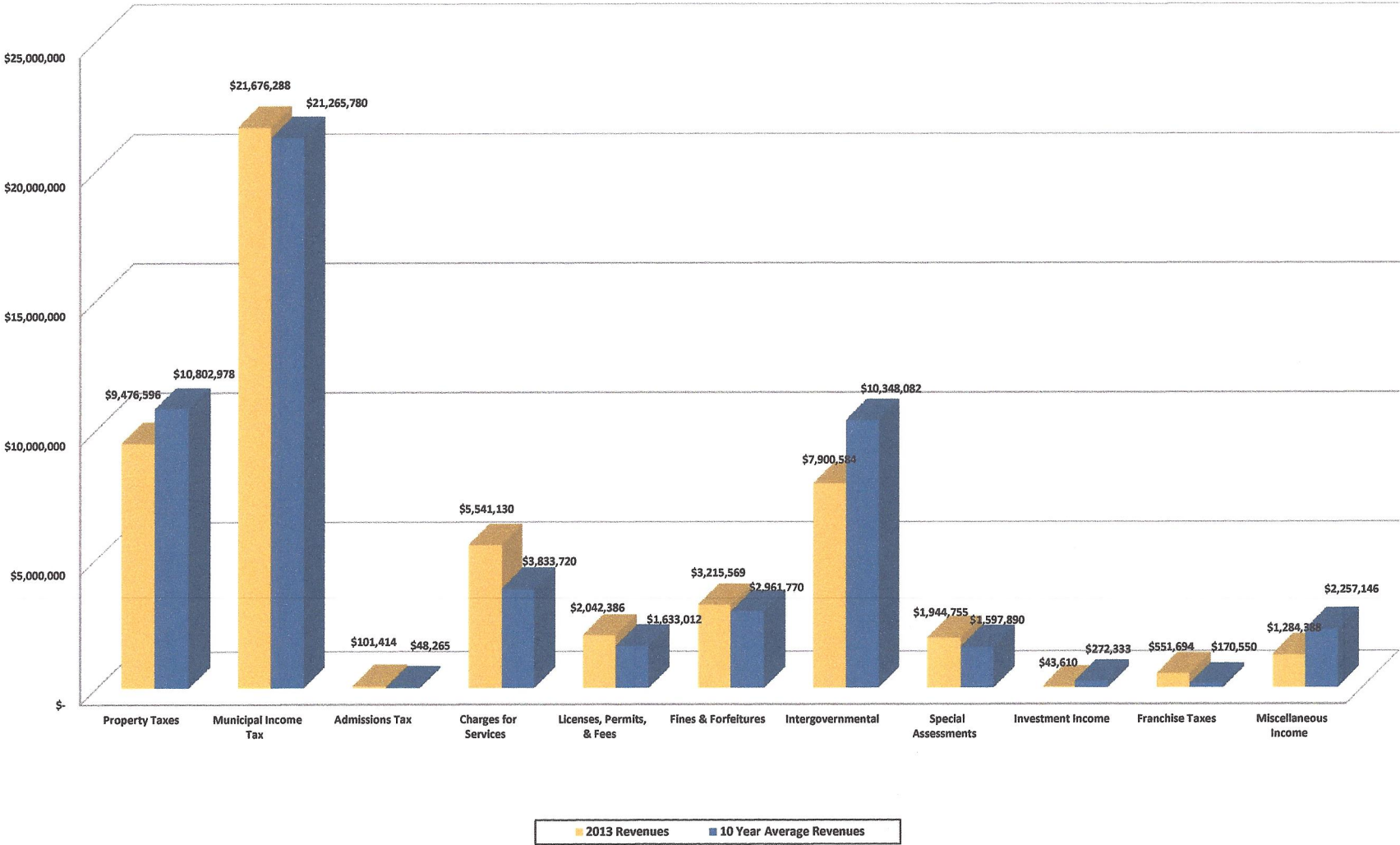
Comparative 2013 Vs. 10 Year Average Expenditures by Program

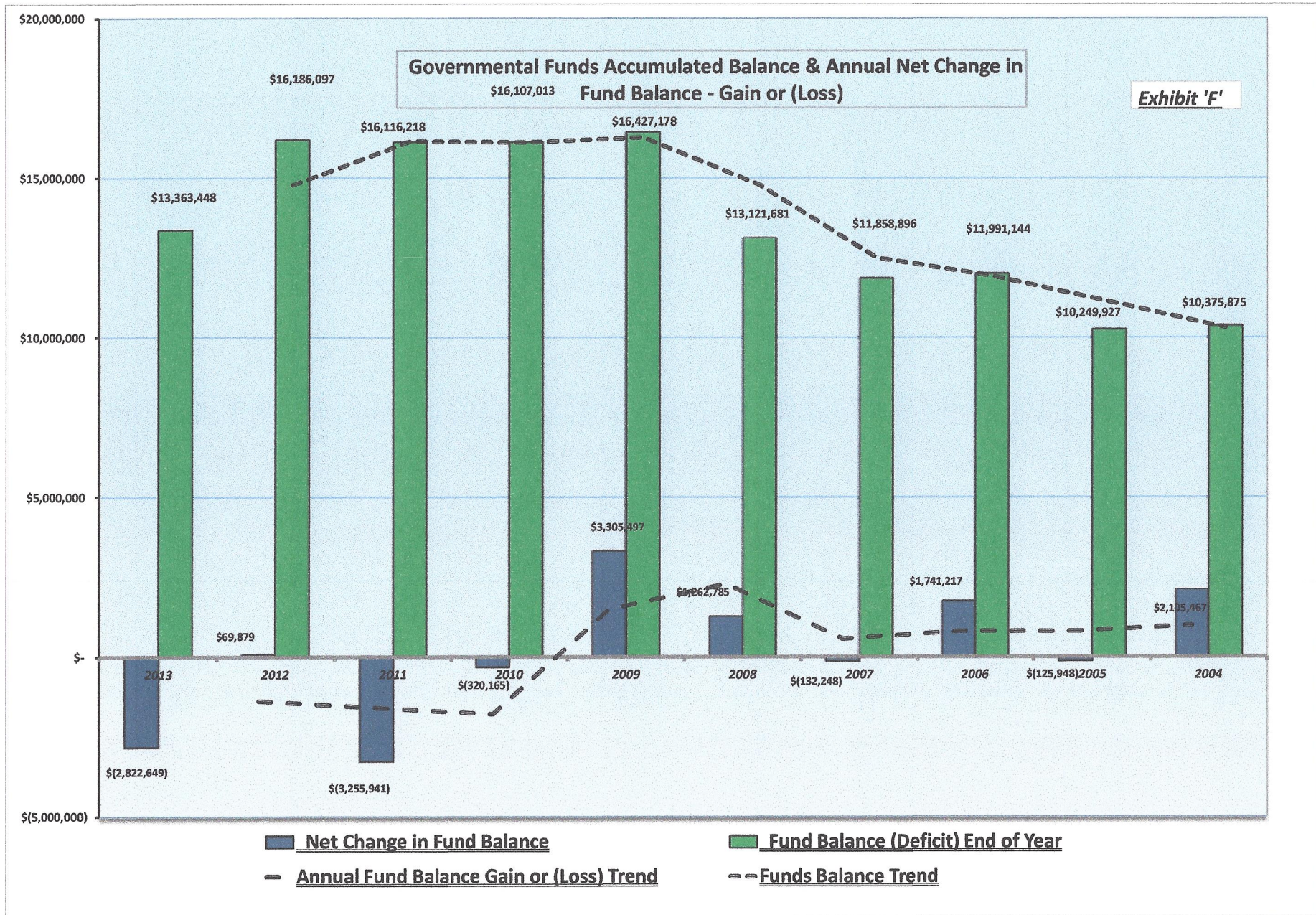
Exhibit 'D'



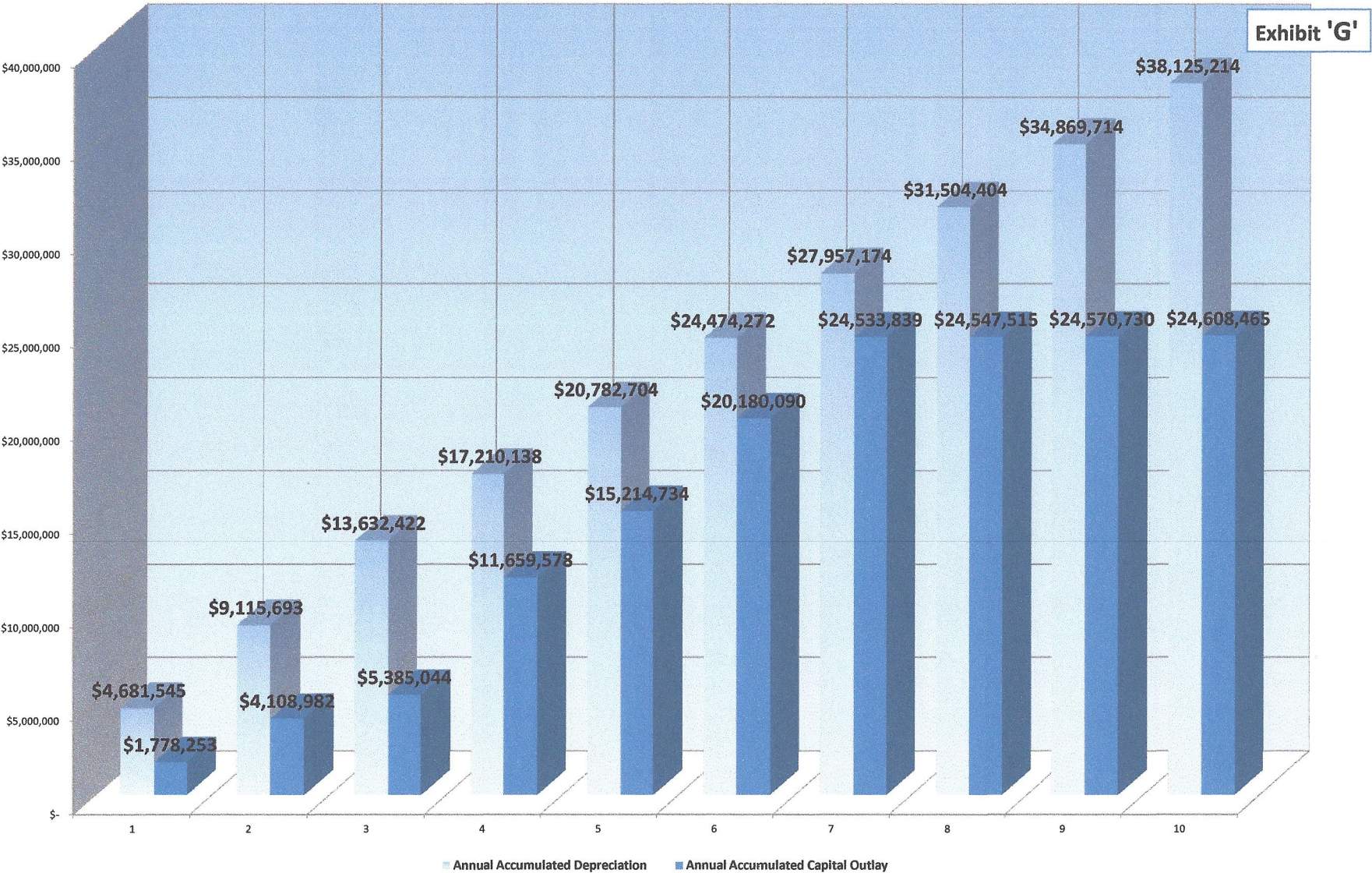
Comparative 2013 Vs. 10 Year Average Revenues by Source

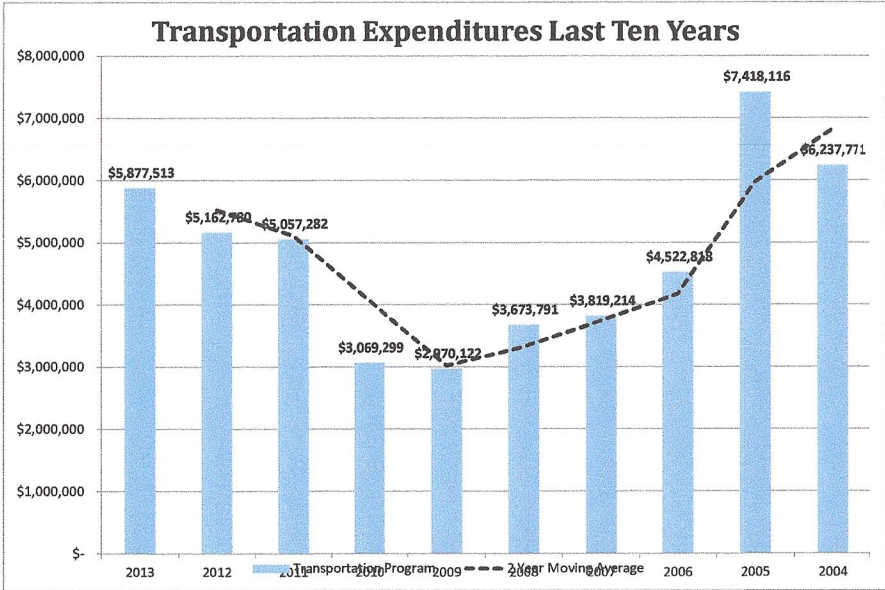
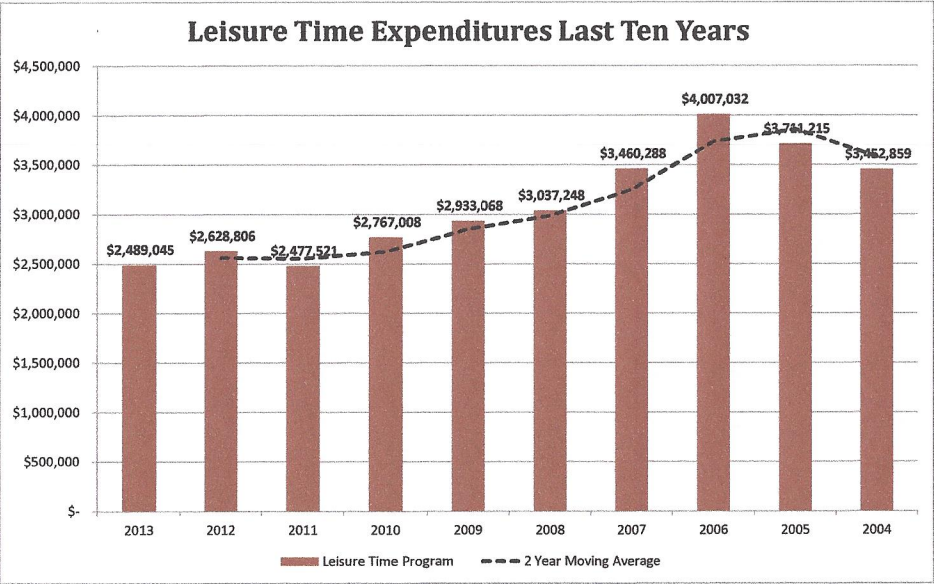
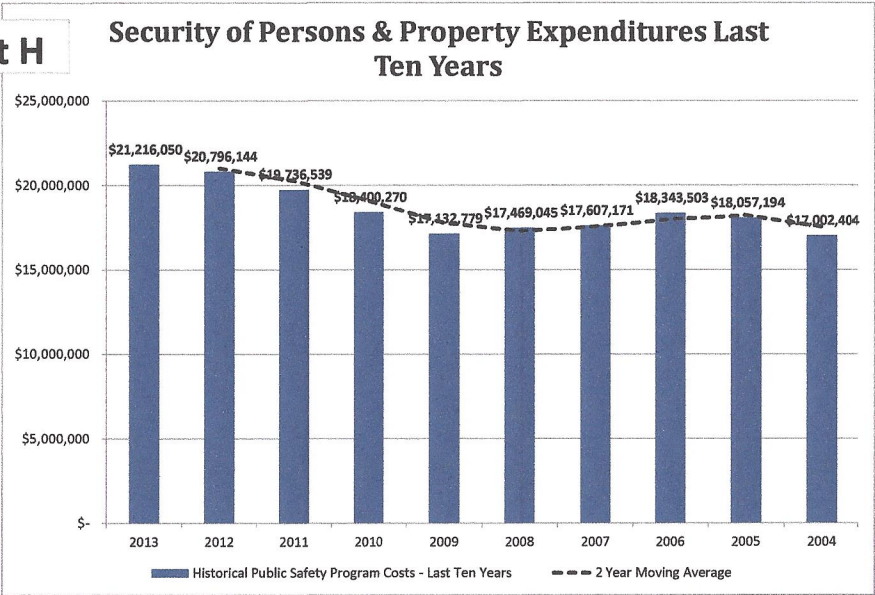
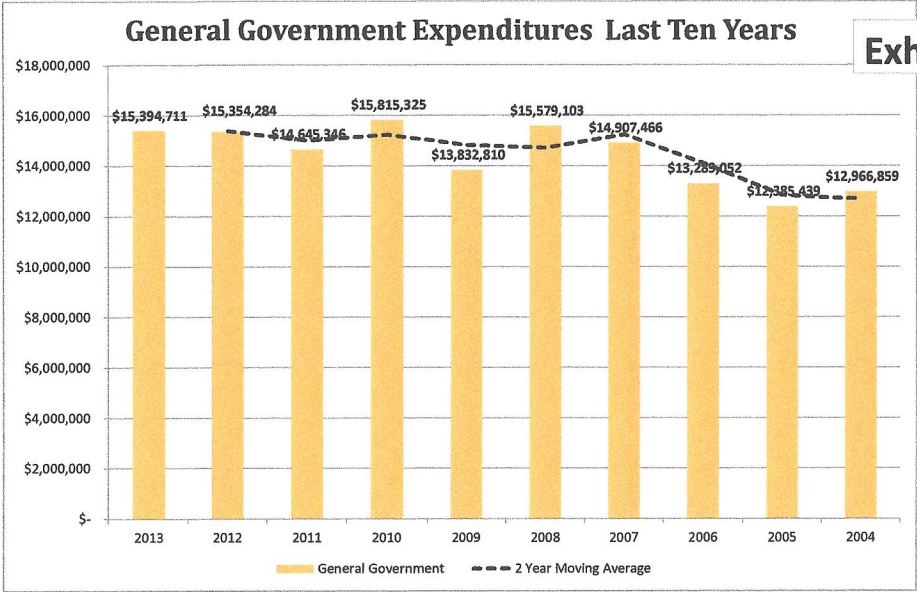
Exhibit 'E'



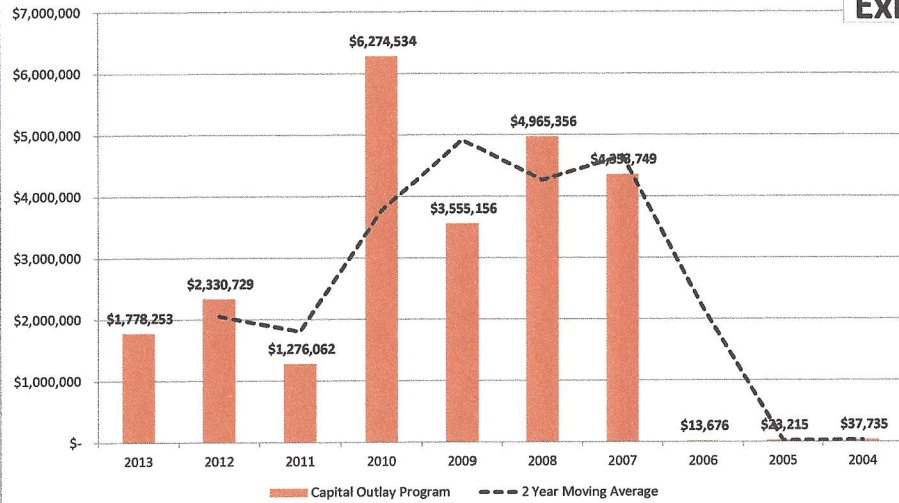


Annual Accumulated Depreciation and Annual Accumulated Capital Outlay 2004-2013

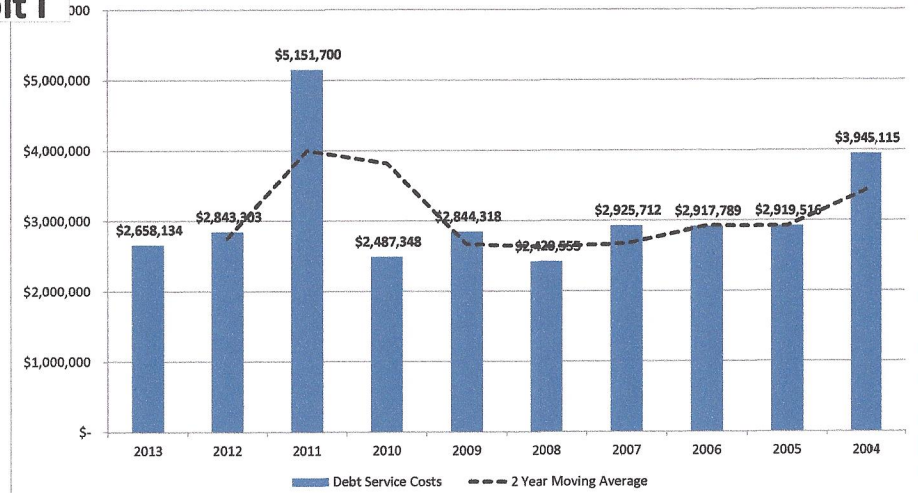




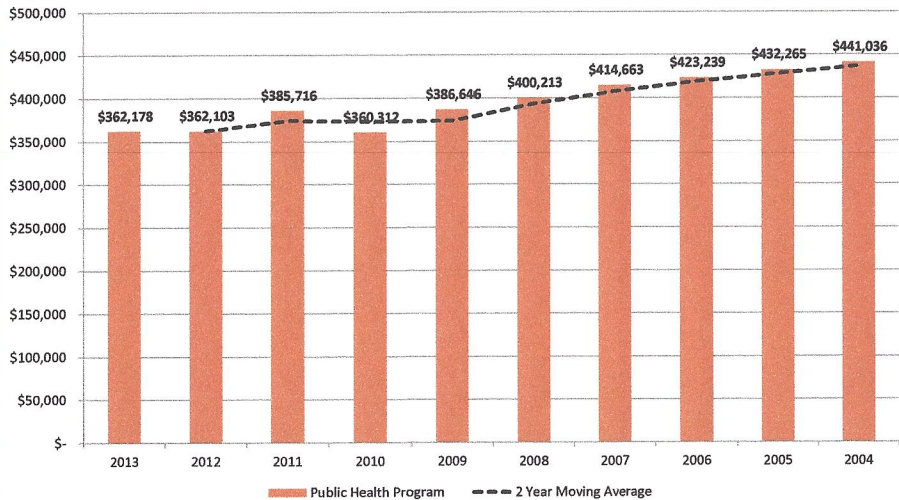
Capital Outlay Expenditures Last Ten Years



Debt Service Expenditures Last Ten Years



Public Health Expenditures Last Ten Years



Community Development Expenditures Last Ten Years

