
Citizen Auditors of Ohio

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Governmental Funds - Historical Analysis Summary – City of Maple Heights

The General Funds (including any Emergency Reserves) are a major portion of total Governmental Funds of local governments (General Fund is 58% of Governmental Funds in Maple Heights) and are used to record all general operational fund 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 “J” 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 of governmental operations;

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 Capital Outlay;

Exhibit “H” – Graphic Report of General Government (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 (Police, Fire, Dispatch, and EMT) expenditures; Leisure Time Activities (Parks, Recreation, Liberty Park, Golf Course, Fitness Center, etc) expenditures; Transportation (Roads, Sidewalks, Storm Sewers, Snow Plowing, etc) expenditures and the 2 year moving average trend lines;

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

Exhibit “J” – Graphic Report of Major Governmental Revenues Sources for trending analysis.

Review and Analysis of Exhibit(s)

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. The major indications are that on or about 2008 – 2009 the City began deficit spending and rapid reductions of its carryover funds balances which were early indicators of a financial crisis forming. The City also allowed its carryover funds balance to fall below the GFOA minimum recommended balance, another sign of deficit spending that usually leads to fiscal imbalances and financial crisis. **The City was officially placed in Fiscal Emergency by the Ohio State Auditor’s Office in 2015.**

Exhibit ‘F’ is a historical graphic of accumulated funds balance and annual net changes (gain or loss) of the operations of the Governmental Funds. The escalation in trending averages on Exhibit ‘C’ and ‘F’ indicates annual deficit spending in expenditures, specially noted is General Government with a 65% jump commencing around 2008. The revenues indicate relative stability of revenues (excepting the debt issuance in 2008-2010 for capital projects) with Accumulated Governmental Funds Balance declining rapidly commencing in 2009 thereby moving below the GFOA recommended minimum balance to a deficit. The trend of deficit spending commencing in 2009 was the major contributor to the eventual issuance of a ‘Fiscal Watch’ and as of 2015 of a ‘Fiscal Emergency’ by the State Auditor’s office.

Our overall analysis is that the City of Maple Heights in Cuyahoga County, Ohio indicates a substantial increase in Government Program expenditures; most notably the Security to Persons and Property and General Government and those

sustained levels of expenditures in Security to Persons and Property along with reductions in Property Tax Revenues and reductions to Intergovernmental Revenues by the State of Ohio have put unsustainable pressure on the ability to maintain a balanced annual budget with fiscal sustainability. Current budgetary/financial planning by the City appears to result in under estimating original revenues and over estimating expenditures, the result being a sustained decrease/deficit in carryover funds balance. A review of Exhibit 'A' reveals that the accumulated carryover funds balance is excessively below the GFOA recommendation by (-40.3%) in 2017 which began around 2009. The budgetary practice of under estimation of revenues and over estimation of expenditures should be addressed with a policy to provide a more efficient utilization of tax dollars and as the old adage is 'get the most bang for your buck'.

The capital outlay was addressed by the issuance of notes commencing in 2008 and then a bond issuance in 2011 resulting in a major investment in Fixed Assets. It appears the City of Maple Heights 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. The Governmental Funds total depreciation in 2017 is approximately \$1.85 million dollars and Capital Outlay totaled \$386,551 thousand which is 21% less than total depreciation (depletion), a trend that should be addressed with a Mayor 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 a graphic report.

The graph in Exhibit 'F' indicates that the accumulated funds balance and annual net changes in funds balance fell off a cliff in commencing in 2009 and appear to be receiving attention by the City after entering 'Fiscal Watch' and now 'Fiscal Emergency' status. There are no indications by the graphic representation of excessive spending, other than General Government and sustained spending levels in Security to Persons & Property, in any of the trended averages. Exhibit 'F'

further reveals the issues in budgetary planning of under estimation of revenues and over estimation of expenditures. 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 Maple Heights has since 2009 been operating on a deficit basis which has resulted in the issuance of 'Fiscal Watch' and then 'Fiscal Emergency' status by the Auditor of State office. Our analysis indicates that Property Taxes and Intergovernmental Shared Taxes Revenues have suffered major reductions coupled with substantial increases in General Government spending and sustained budgetary support of Security to Persons and Property programs. It appears Maple Heights has reduced General Government (Administrative) program costs by (-37.1)% over the 10 year average, however, the total expenditures in Security of Persons & Property for 2017 have decreased by – (10.0)% over the 10 year average. The city appears to have commenced to return to a positive cash position although the General Fund remains in a deficit balance. If the city continues to promote a position addition to its cash position by keeping the annual revenues above the annual expenditures. Once the General Fund carryover cash balance is between 10-25% of the annual expenditures (per the GFOA minimum recommendations) the city could address the maintenance of capital assets and the desired level of essential government services to the taxpayers of the city.

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 Maple 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 Maple Heights. It appears from our analysis reports that the City of Maple Heights is on the road to recovery from Fiscal Emergency and hopefully in the near future can return to providing for the sustainable and stable provision of basic health, safety, and welfare of its residents. The city should seriously consider initiating a minimum fund balance policy for all major funds to provide a stable benchmark for budgetary and financial planning purposes in the future and include that policy in the notes to the financial statements.

The establishment of a minimum fund balance policy would be first step to implementing budgetary discipline in estimating both revenues and expenditures to within say 4-5% of actual revenues and expenditures. These projections can only

be impacted by collaboration of the Mayor and City Council in the adoption of a minimum fund balance policy and five year budgetary forecasts and financial planning. There are many sources of templates for the preparation of five year budgetary/planning forecasts and we would be happy to provide any we have available to the City of Maple Heights.

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 Maple Heights - Cuyahoga County, Ohio Historical Report of Governmental Funds

Exhibit 'A'

	Description	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	Annual 10 Year Average (1)	Annual 10 Year Average % (1)												
Revenues:																									
Property Taxes	\$	3,568,475	\$	3,539,874	\$	3,479,187	\$	3,578,363	\$	4,098,854	\$	5,227,788	\$	5,154,222	\$	5,305,871	\$	5,814,023	\$	5,698,383	\$	4,546,504	23.2%		
Municipal Income Taxes	\$	7,076,068	\$	7,532,225	\$	7,171,759	\$	7,128,733	\$	6,644,938	\$	7,293,044	\$	7,245,712	\$	6,659,281	\$	6,746,932	\$	7,233,707	\$	7,073,240	36.1%		
Franchies Taxes	\$	268,317	\$	239,407	\$	283,975	\$	307,329	\$	308,514	\$	-	\$	-	\$	5,223	\$	-	\$	-	\$	-	\$	141,277	0.7%
Intergovernmental	\$	3,153,215	\$	3,040,836	\$	2,728,692	\$	2,915,515	\$	3,229,349	\$	3,205,290	\$	4,581,329	\$	6,309,543	\$	5,062,514	\$	4,419,672	\$	3,864,596	19.7%		
Charges for Services	\$	1,510,132	\$	1,701,780	\$	1,753,176	\$	1,570,461	\$	1,466,119	\$	1,918,029	\$	1,518,566	\$	1,634,014	\$	1,715,644	\$	2,407,765	\$	1,719,569	8.8%		
Fees, Licenses & Permits	\$	892,176	\$	1,013,380	\$	1,299,990	\$	2,334,085	\$	1,747,845	\$	1,898,391	\$	1,982,219	\$	1,984,145	\$	1,732,051	\$	1,755,677	\$	1,663,996	8.5%		
Fines & Forfeitures	\$	78,784	\$	-	\$	-	\$	-	\$	36,167	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	11,495	0.1%
Special Assessments	\$	-	\$	-	\$	-	\$	-	\$	-	\$	296,820	\$	278,087	\$	182,212	\$	192,735	\$	131,155	\$	108,101	0.6%		
Investment Income	\$	104	\$	69	\$	111	\$	196	\$	523	\$	610	\$	2,087	\$	964	\$	79,029	\$	53,160	\$	13,685	0.1%		
Contributions & Donations	\$	3,455	\$	9,961	\$	94,011	\$	53,514	\$	34,025	\$	1,755	\$	-	\$	-	\$	-	\$	-	\$	-	\$	19,672	0.1%
Miscellaneous Income	\$	1,202,027	\$	493,155	\$	311,905	\$	667,348	\$	238,139	\$	321,372	\$	329,593	\$	390,011	\$	406,306	\$	210,748	\$	457,060	2.3%		
Total Revenues	\$	17,752,753	\$	17,570,687	\$	17,122,806	\$	18,555,544	\$	17,804,473	\$	20,163,099	\$	21,091,815	\$	22,471,264	\$	21,749,234	\$	21,910,267	\$	19,619,194	100.0%		
Expenditures:																									
Security of Persons & Property	\$	8,904,627	\$	9,049,170	\$	9,148,379	\$	10,864,288	\$	9,164,355	\$	9,200,047	\$	9,958,139	\$	10,529,700	\$	10,563,058	\$	11,523,572	\$	9,890,534	43.3%		
Public Health	\$	90,701	\$	90,701	\$	90,701	\$	90,701	\$	88,850	\$	88,850	\$	96,777	\$	97,077	\$	89,771	\$	113,265	\$	93,739	0.4%		
Leisure Time Activities	\$	438,978	\$	412,319	\$	353,348	\$	511,678	\$	665,375	\$	812,349	\$	731,573	\$	1,040,646	\$	911,258	\$	861,412	\$	673,894	2.9%		
Community Environment	\$	559,160	\$	501,001	\$	502,508	\$	420,893	\$	935,321	\$	691,091	\$	852,226	\$	1,407,620	\$	1,088,282	\$	679,191	\$	763,729	3.3%		
Basic Utility Services	\$	903,507	\$	669,159	\$	445,286	\$	389,650	\$	536,229	\$	511,979	\$	512,439	\$	990,696	\$	1,728,887	\$	1,432,939	\$	812,077	3.6%		
Transportation	\$	958,236	\$	810,845	\$	760,034	\$	836,879	\$	858,351	\$	1,017,960	\$	1,055,512	\$	1,248,661	\$	1,165,523	\$	1,310,155	\$	1,002,216	4.4%		
General Government	\$	2,799,425	\$	2,867,260	\$	3,162,007	\$	3,048,797	\$	5,285,041	\$	5,144,388	\$	5,920,070	\$	5,776,846	\$	6,009,214	\$	4,478,469	\$	4,449,152	19.5%		
Capital Outlay	\$	386,551	\$	182,170	\$	902,284	\$	215,733	\$	642,453	\$	1,707,730	\$	1,037,394	\$	2,490,548	\$	7,720,894	\$	4,598,523	\$	1,988,428	8.7%		
Debt Service	\$	1,547,431	\$	1,666,275	\$	1,710,660	\$	1,738,501	\$	1,480,521	\$	1,422,688	\$	1,891,234	\$	12,061,567	\$	6,656,559	\$	1,588,160	\$	3,176,360	13.9%		
Total Expenditures	\$	16,588,616	\$	16,248,900	\$	17,075,207	\$	18,117,120	\$	19,656,496	\$	20,597,082	\$	22,055,364	\$	35,643,361	\$	35,933,446	\$	26,585,686	\$	22,850,128	100.0%		
Operating Income (Loss)	\$	1,164,137	\$	1,321,787	\$	47,599	\$	438,424	\$	(1,852,023)	\$	(433,983)	\$	(963,549)	\$	(13,172,097)	\$	(14,184,212)	\$	(4,675,419)	\$	(3,230,934)			
Other Financing Sources (Transfers)	\$	453,360	\$	428,291	\$	793,073	\$	42,725	\$	284,251	\$	401,418	\$	127,932	\$	11,605,308	\$	10,299,001	\$	5,000,000	\$	2,943,536			
																					\$	-			
Net Change in Fund Balance	\$	1,617,497	\$	1,750,078	\$	840,672	\$	481,149	\$	(1,567,772)	\$	(32,565)	\$	(835,617)	\$	(1,566,789)	\$	(3,885,211)	\$	324,581	\$	(287,398)			
Fund Balance (Deficit) Beginning of Year	\$	2,184,288	\$	434,210	\$	(406,462)	\$	(1,462,611)	\$	105,161	\$	137,726	\$	973,343	\$	2,528,784	\$	6,413,995	\$	6,089,414	\$	1,699,785			
Fund Balance (Deficit) End of Year	\$	3,801,785	\$	2,184,288	\$	434,210	\$	(981,462)	\$	(1,462,611)	\$	105,161	\$	137,726	\$	961,995	\$	2,528,784	\$	6,413,995	\$	1,412,387			
Ending Fund Balance as % of Expenditures (1)		22.9%		13.4%		2.5%		-5.4%		-7.4%		0.5%		0.6%		2.7%		7.0%		24.1%		6.2%			
Cash & Cash Equivalents - End of Year	\$	2,476,369	\$	850,657	\$	-	\$	(35,268)	\$	24,747	\$	136,124	\$	436,351	\$	1,723,164	\$	3,393,956	\$	6,824,304	\$	1,583,040			
Cash & Cash Equivalents as % of Expenditures (1)		14.9%		5.2%		0.0%		-0.2%		0.1%		0.7%		2.0%		4.8%		9.4%		25.7%		6.9%			
Ending Fund Balance at GFOA 25% Average(1)	\$	4,147,154	\$	4,062,225	\$	4,268,802	\$	4,529,280	\$	4,914,124	\$	5,149,271	\$	5,513,841	\$	8,910,840	\$	8,983,362	\$	6,646,422	\$	5,712,532			
Ending Fund Balance as % = GFOA 25% Average (1)		25.0%		25.0%		25.0%		25.0%		25.0%		25.0%		25.0%		25.0%		25.0%		25.0%		25.0%			
Excess Ending Fund Balance Vs. GFOA 25% Average (1)	\$	(1,670,785)	\$	(3,211,568)	\$	(4,268,802)	\$	(4,564,548)	\$	(4,889,377)	\$	(5,013,147)	\$	(5,077,490)	\$	(7,187,676)	\$	(5,589,406)	\$	177,883	\$	(4,129,492)			
Excess % Fund Balance More (Less) than GFOA Average (1)		-40.3%		-79.1%		-100.0%		-100.8%		-99.5%		-97.4%		-92.1%		-80.7%		-62.2%		2.7%		-72.3%			
Annual Governmental Funds Depreciation Expensed		\$1,845,200		\$2,042,301		\$1,951,837		\$2,029,096		\$2,085,910		\$2,040,347		\$2,023,258		\$2,141,729		\$1,796,717		\$1,739,084					
Annual Capital Outlay - Governmental Funds		\$386,551		\$182,170		\$902,284		\$215,733		\$642,453		\$1,707,730		\$1,037,394		\$2,490,548		\$7,720,894		\$4,598,523					
Accumulated Governmental Funds Depreciation	\$	1,845,200	\$	3,887,501	\$	5,839,338	\$	7,868,434	\$	9,954,344	\$	11,994,691	\$	14,017,949	\$	16,159,678	\$	17,956,395	\$	19,695,479					
Accumulated Capital Outlay - Governmental Funds		\$386,551		\$568,721		\$1,471,005		\$1,686,738		\$2,329,191		\$4,036,921		\$5,074,315		\$7,564,863		\$15,285,757		\$19,884,280					

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

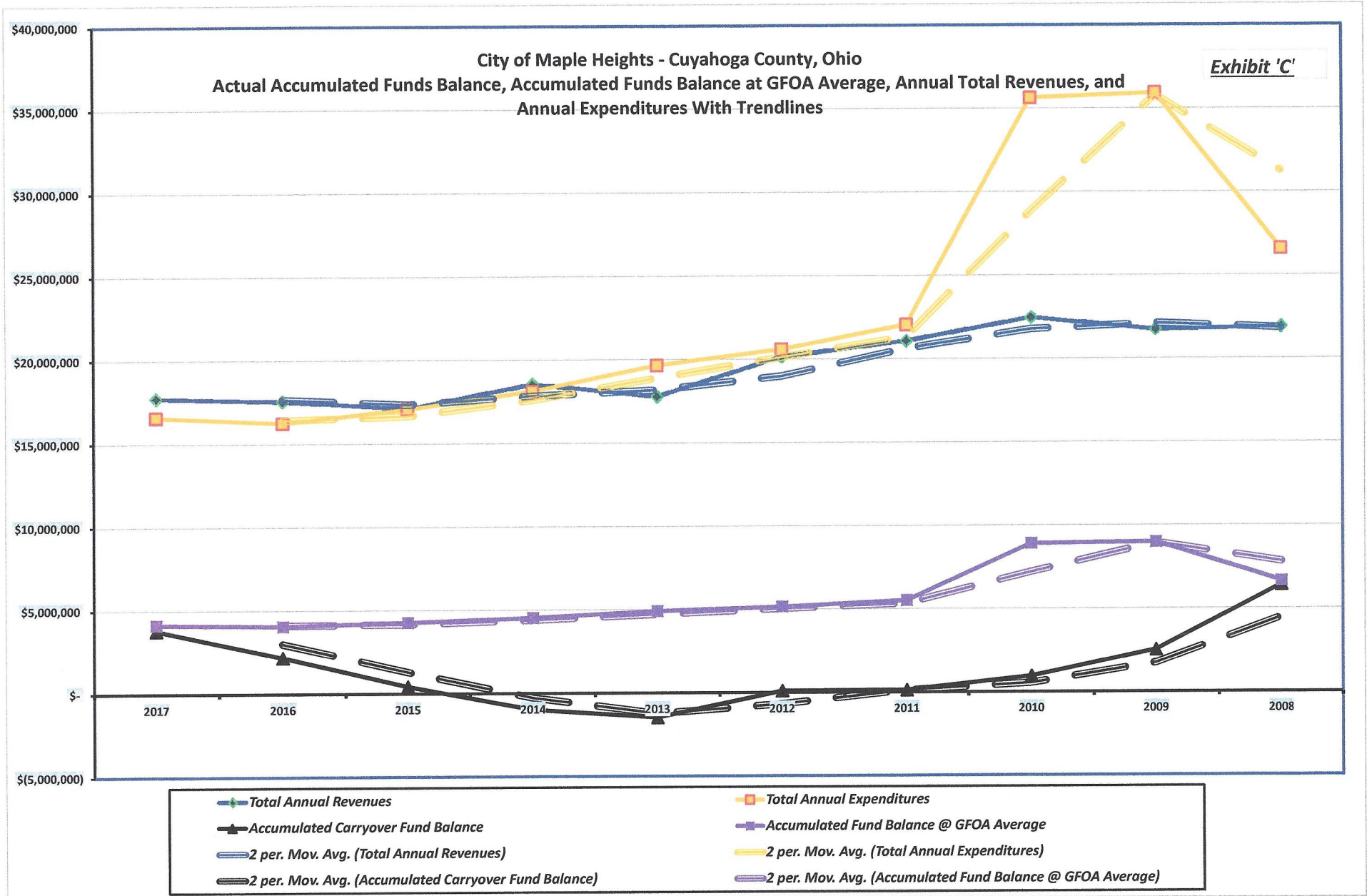
(1) Calculated Fields

City of Maple Heights - Cuyahoga County, Ohio Historical Report of Governmental Funds - Variance Report 2017 Vs. 10 Year Average

Exhibit 'B'

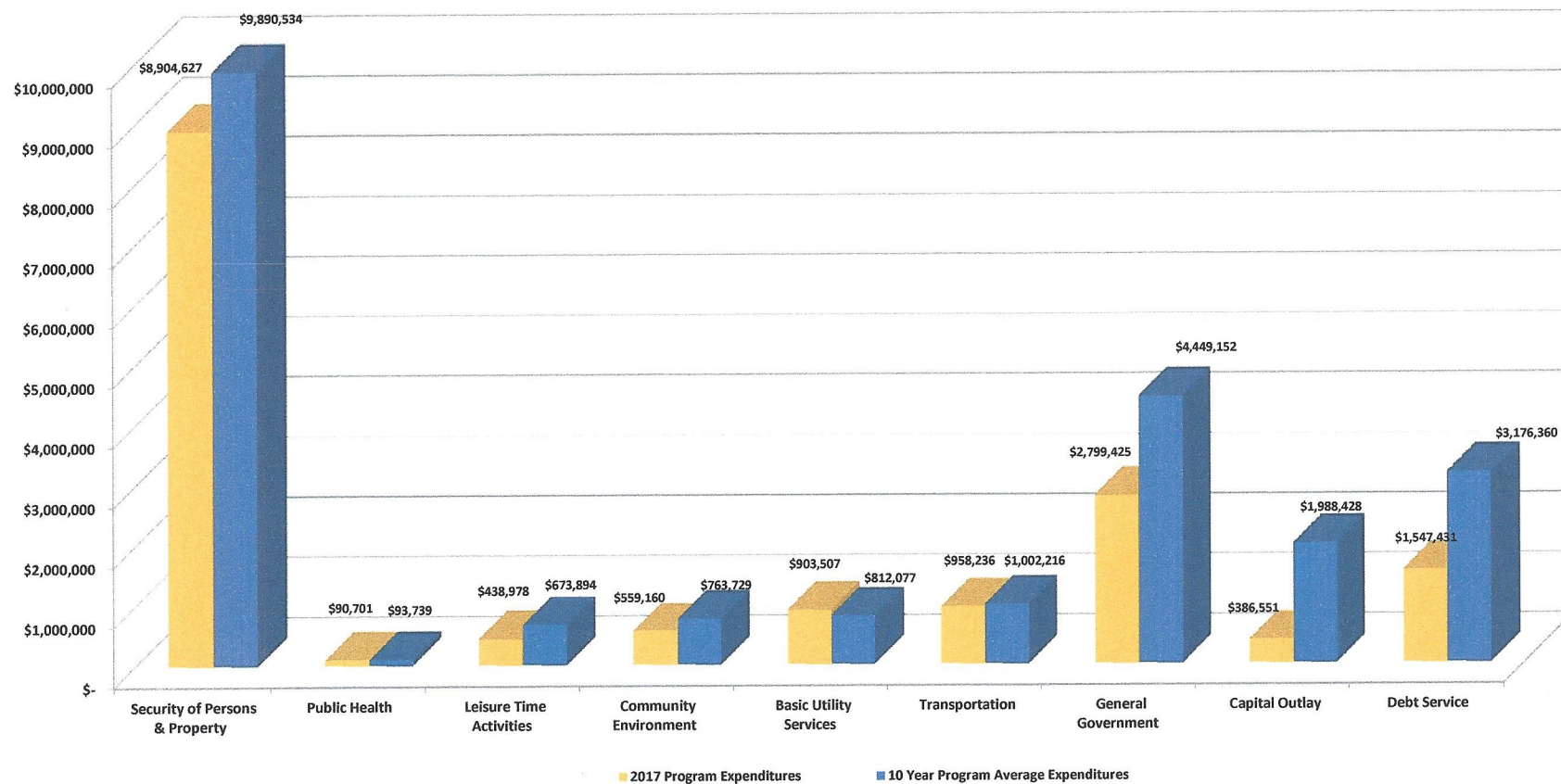
Description	2017	2017 % of Total	Annual 10 Yea Average	Annual 10 Year % of Total	Variance 2017 o 10 Yr Averag	Variance 2017 to 10 Yr %
			(1)	(1)	(1)	(1)
Revenues:						
Property Taxes	\$ 3,568,475	20.1%	\$ 4,546,504	23.2%	\$ (978,029)	-21.5%
Municipal Income Taxes	\$ 7,076,068	39.9%	\$ 7,073,240	36.1%	\$ 2,828	0.0%
Franchises Taxes	\$ 268,317	1.5%	\$ 141,277	0.7%	\$ 127,041	89.9%
Intergovernmental	\$ 3,153,215	17.8%	\$ 3,864,596	19.7%	\$ (711,381)	-18.4%
Charges for Services	\$ 1,510,132	8.5%	\$ 1,719,569	8.8%	\$ (209,437)	-12.2%
Fees, Licenses & Permits	\$ 892,176	5.0%	\$ 1,663,996	8.5%	\$ (771,820)	-46.4%
Fines & Forfeitures	\$ 78,784	0.4%	\$ 11,495	0.1%	\$ 67,289	585.4%
Special Assessments	\$ -	0.0%	\$ 108,101	0.6%	\$ (108,101)	-100.0%
Investment Income	\$ 104	0.0%	\$ 13,685	0.1%	\$ (13,581)	-99.2%
Contributions & Donations	\$ 3,455	0.0%	\$ 19,672	0.1%	\$ (16,217)	-82.4%
Miscellaneous Income	\$ 1,202,027	6.8%	\$ 457,060	2.3%	\$ 744,967	295.2%
Total Revenues	\$ 17,752,753	100.0%	\$ 19,619,194	100.0%	\$ (1,866,441)	-9.5%
Expenditures:						
Security of Persons & Property	\$ 8,904,627	53.7%	\$ 9,890,534	43.3%	\$ (985,907)	-10.0%
Public Health	\$ 90,701	0.5%	\$ 93,739	0.4%	\$ (3,038)	-3.2%
Leisure Time Activities	\$ 438,978	2.6%	\$ 673,894	2.9%	\$ (234,916)	-34.9%
Community Environment	\$ 559,160	3.4%	\$ 763,729	3.3%	\$ (204,569)	-26.8%
Basic Utility Services	\$ 903,507	5.4%	\$ 812,077	3.6%	\$ 91,430	11.3%
Transportation	\$ 958,236	5.8%	\$ 1,002,216	4.4%	\$ (43,980)	-4.4%
General Government	\$ 2,799,425	16.9%	\$ 4,449,152	19.5%	\$ (1,649,727)	-37.1%
Capital Outlay	\$ 386,551	2.3%	\$ 1,988,428	8.7%	\$ (1,601,877)	-80.6%
Debt Service	\$ 1,547,431	9.3%	\$ 3,176,360	13.9%	\$ (1,628,929)	-51.3%
Total Expenditures	\$ 16,588,616	100.0%	\$ 22,850,128	100.0%	\$ (6,261,512)	-27.4%
Operating Income (Loss)	\$ 1,164,137		\$ (3,230,934)		\$ 4,395,071	-251.1%
Other Financing Sources (Transfers)	\$ 453,360		\$ 2,943,536		\$ (2,490,176)	-84.6%
Net Change in Fund Balance	\$ 1,617,497		\$ (287,398)		\$ 1,904,895	-662.8%
Fund Balance (Deficit) Beginning of Year	\$ 2,184,288		\$ 1,699,785		\$ 484,503	28.5%
Fund Balance (Deficit) End of Year	\$ 3,801,785		\$ 1,412,387		\$ 2,389,398	169.2%
Ending Fund Balance as % of Expenditures (1)	22.9%		6.2%		16.7%	

Data Source: Audited Financial Reports - Ohio State Auditor GAAP Basis Governmental Funds
(1) Calculated Fields



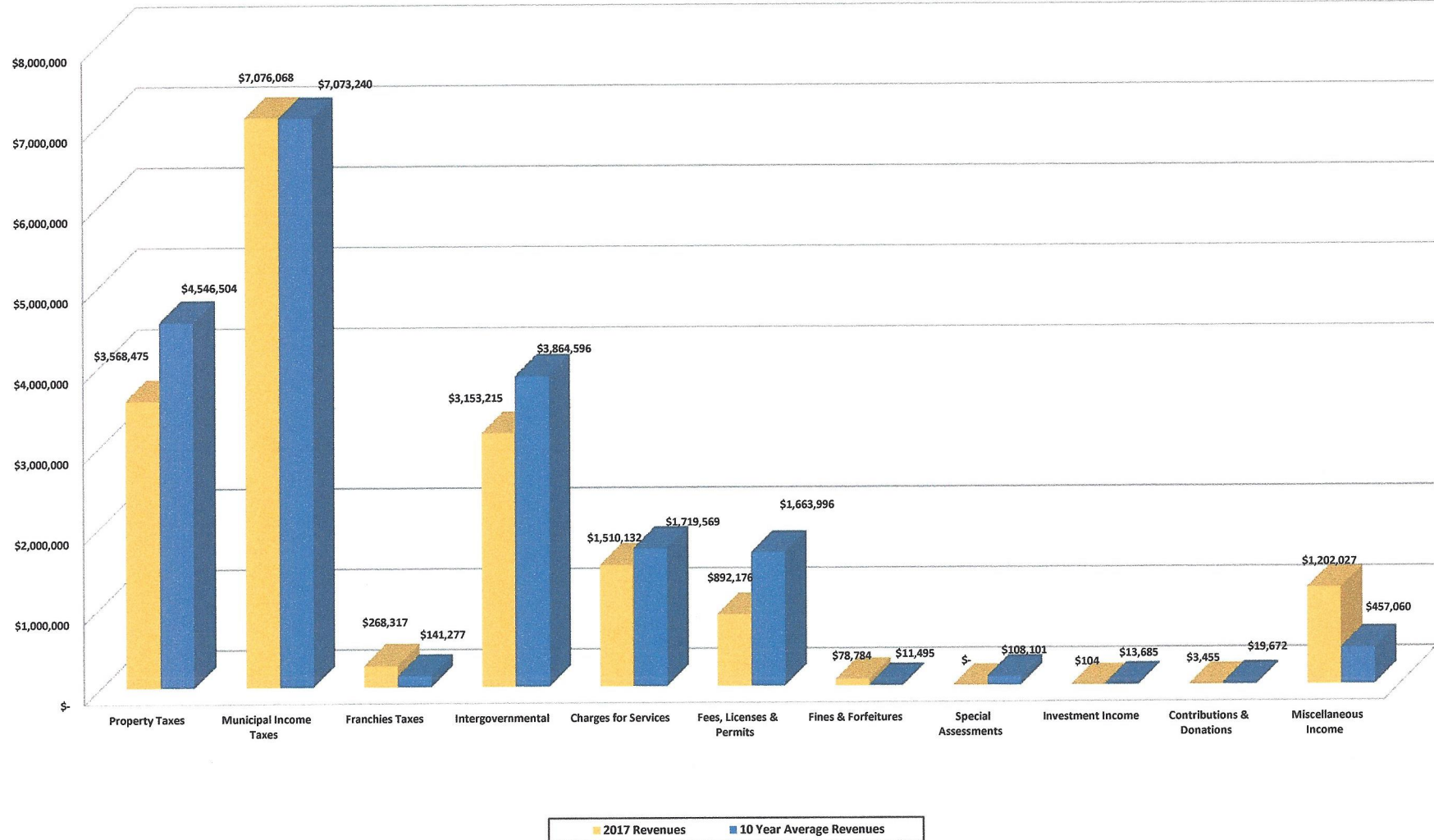
Comparative 2017 Vs. 10 Year Average Expenditures by Program

Exhibit 'D'



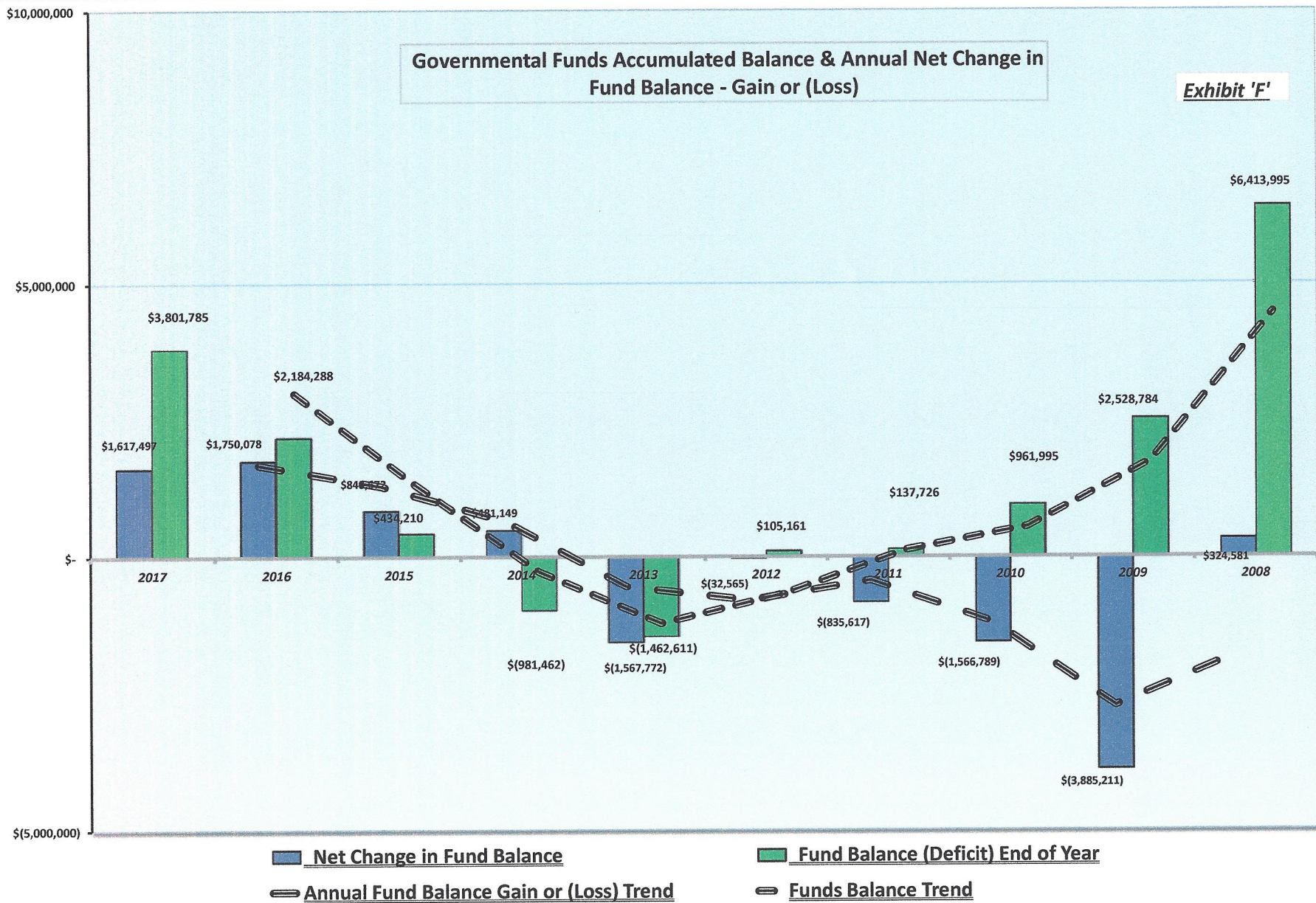
Comparative 2017 Vs. 10 Year Average Revenues by Source

Exhibit 'E'

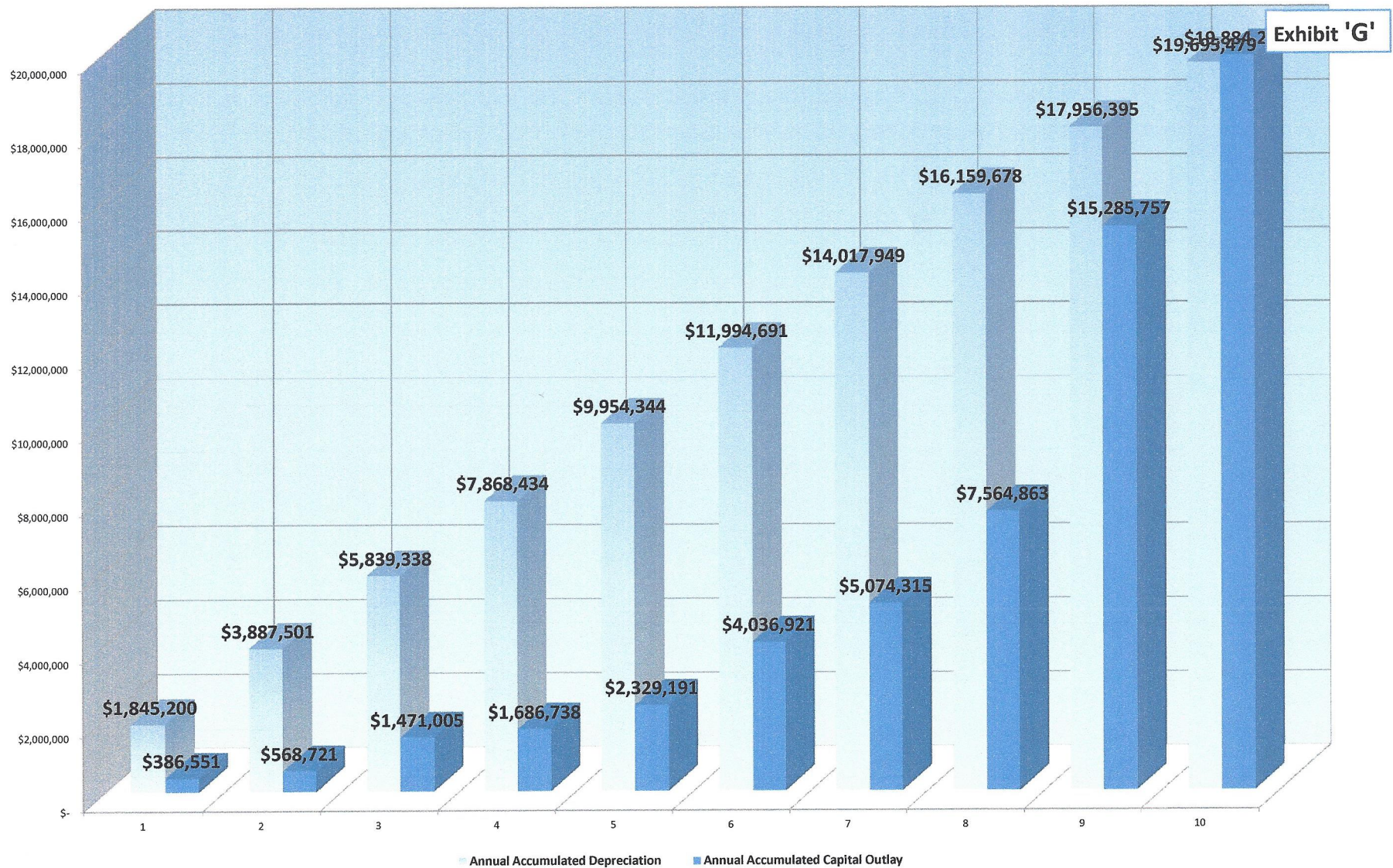


Governmental Funds Accumulated Balance & Annual Net Change in Fund Balance - Gain or (Loss)

Exhibit 'F'



Annual Accumulated Depreciation and Annual Accumulated Capital Outlay 2008-2018



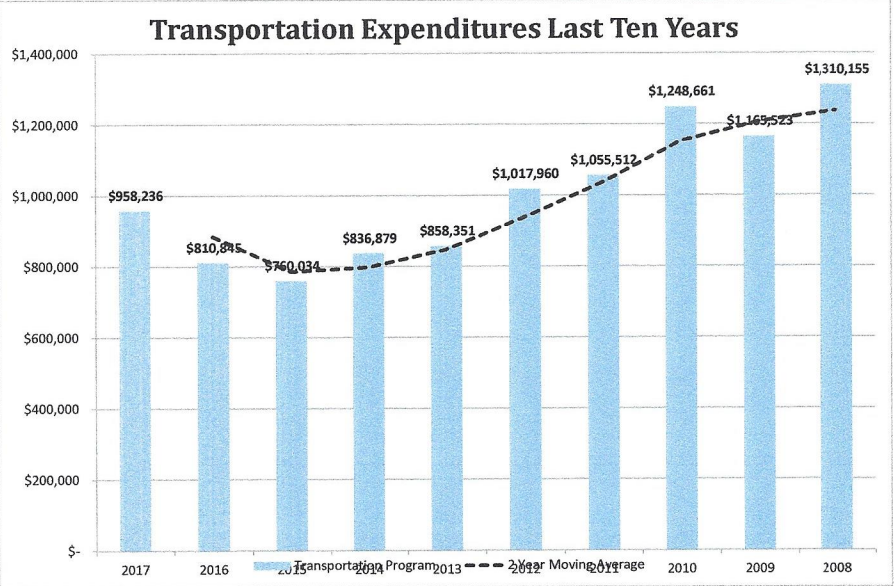
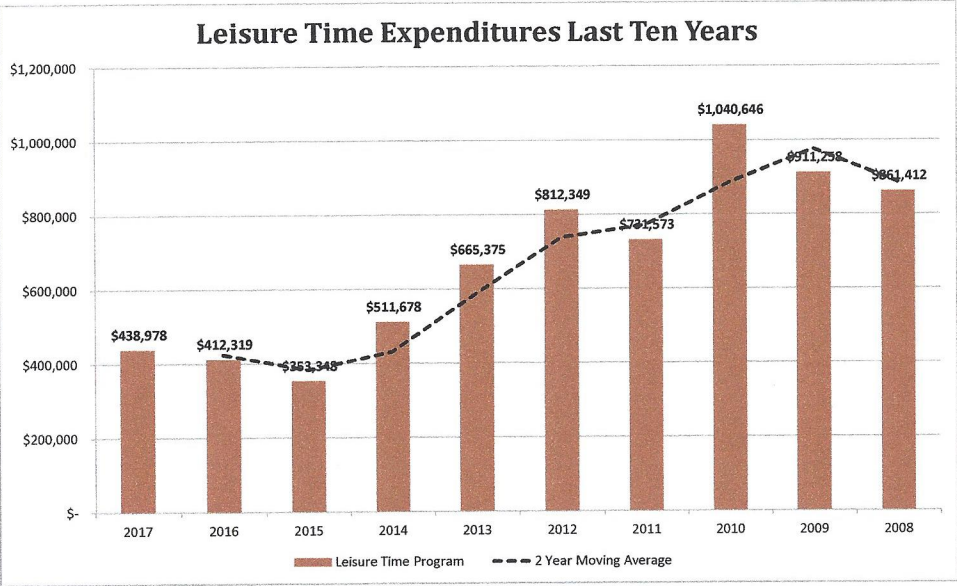
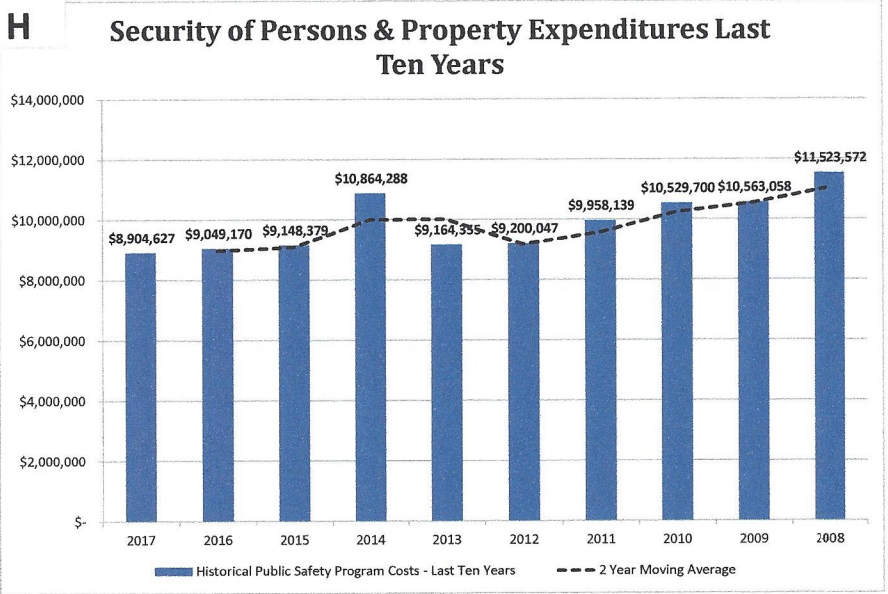
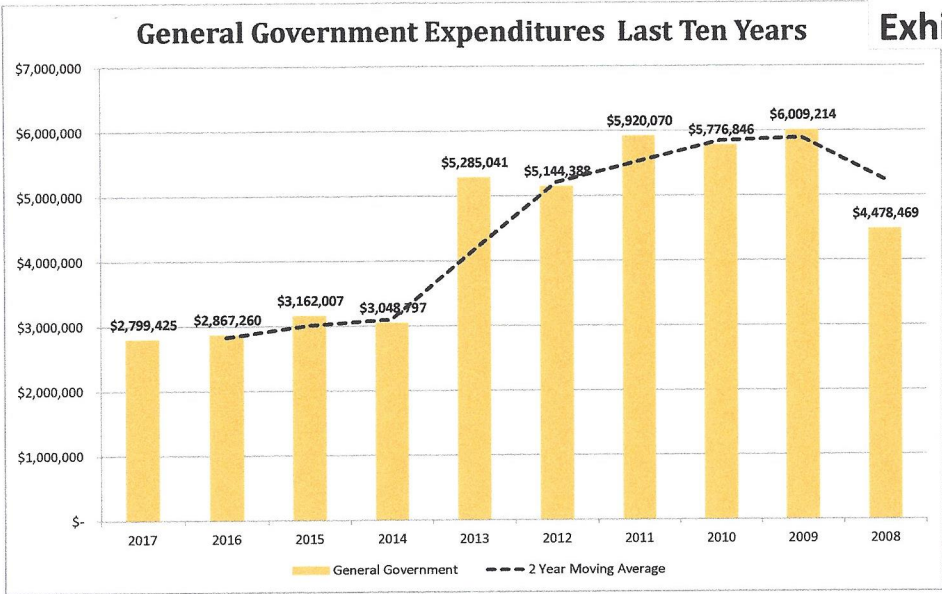
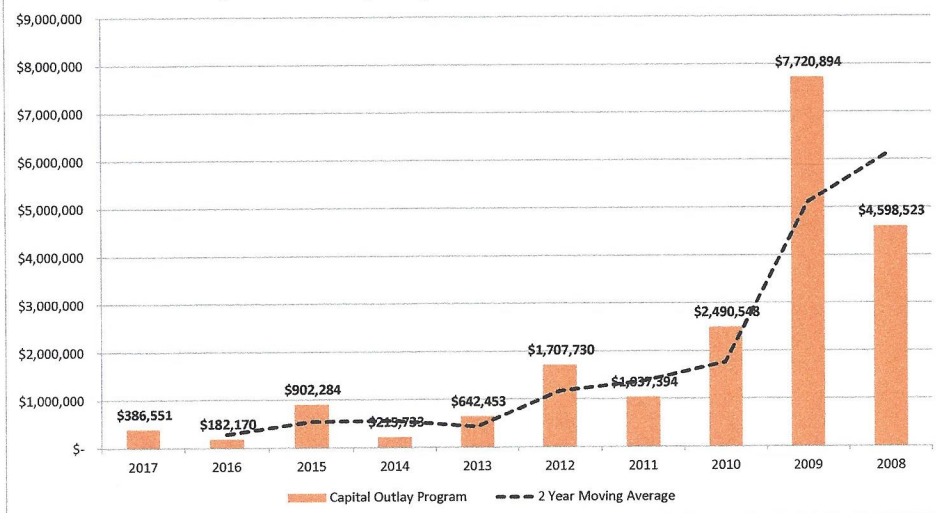
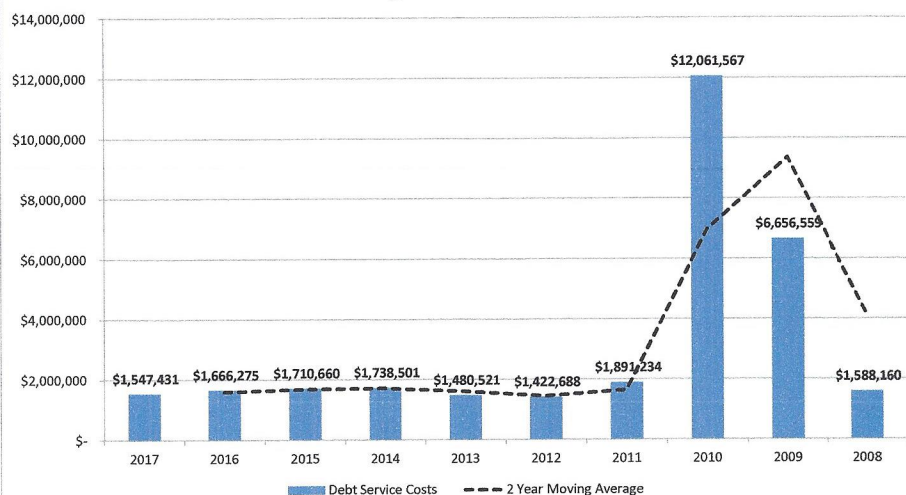


Exhibit I

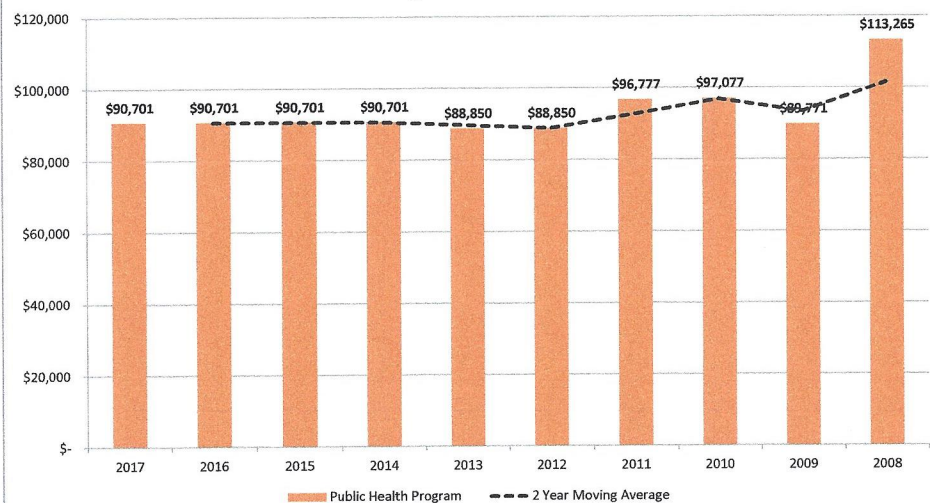
Capital Outlay Expenditures Last Ten Years



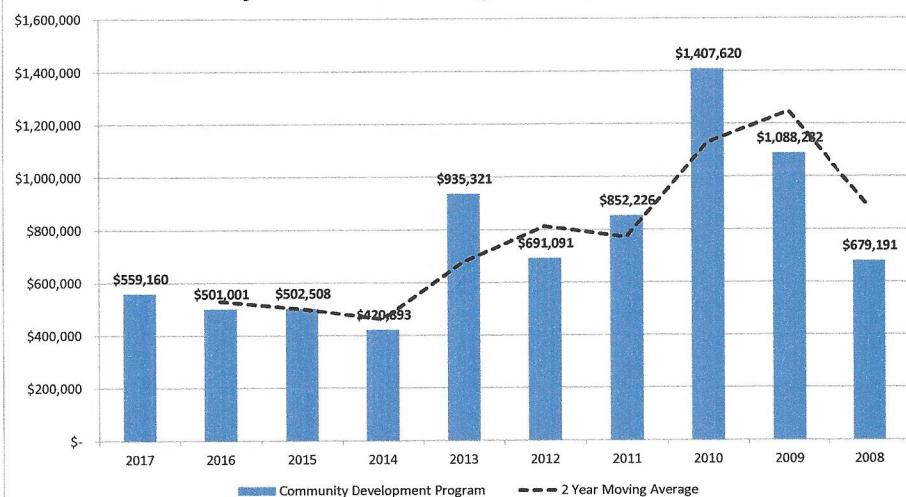
Debt Service Expenditures Last Ten Years



Public Health Expenditures Last Ten Years

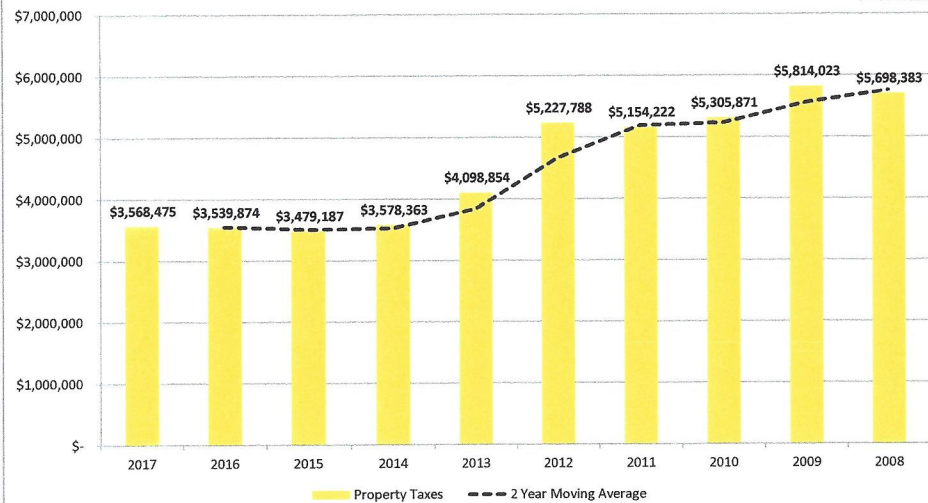


Community Environment Expenditures Last Ten Years

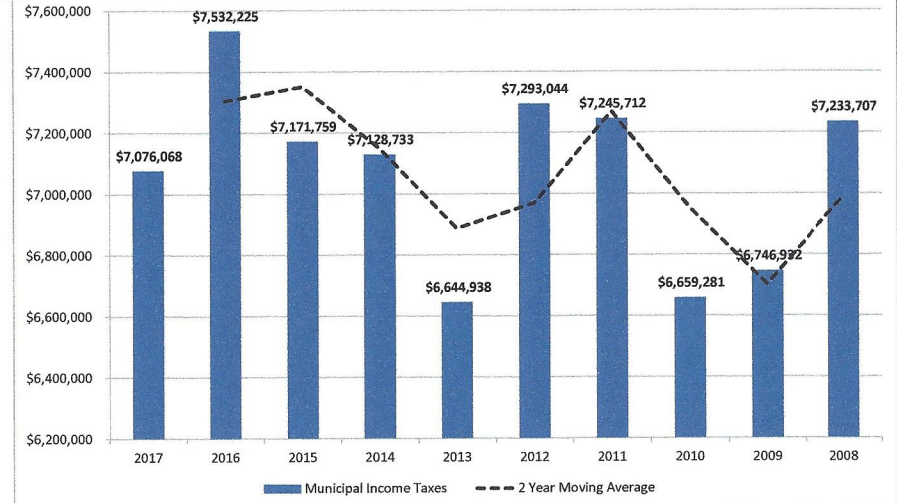


Property Tax Revenues - Last Ten Years

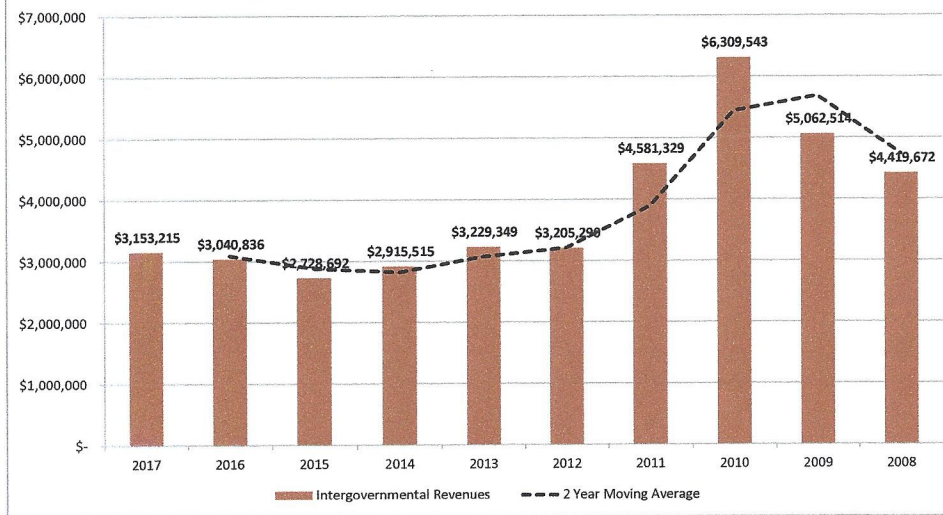
Exhibit J



Municipal Income Taxes - Last Ten Years



Intergovernmental Revenues - Last Ten Years



Charges for Services Revenues - Last Ten Years

