

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2011**

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

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY, OHIO  
AUDIT REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2011**

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

*Certified Public Accountants*

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*Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

Village Council  
Village of Mayfield  
Mayfield Village, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Mayfield, Cuyahoga County, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Mayfield, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Mayfield, Ohio, as of December 31, 2011, and the respective changes in cash financial position and the budgetary comparison for the General Fund and SCM&R Fund thereof for the year then ended in conformity with the basis of accounting described in Note 2.

As described in Note 3 to the financial statements, during 2011 the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2012, on our consideration of the Village of Mayfield, Ohio'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 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.



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

March 19, 2012

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited**

This discussion and analysis of the performance of the Village of Mayfield, Cuyahoga County, Ohio (the Village) provides an overall review of the Village's financial activities for the year ended December 31, 2011, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Financial Highlights**

Highlights for 2011 are as follows:

- On May 4, 2010, Mayfield Village residents approved a one-half percent increase in the municipal income tax rate. This tax rate increase went into effect on July 1, 2010 and was expected to generate approximately \$3 million of additional revenue annually. These annual proceeds are being used to retire debt, grow reserves, offer economic development incentives to existing and prospective businesses, support daily operations and fund capital equipment and infrastructure needs. For 2011, this tax rate increase generated additional revenues totaling \$3,629,228.
- Net assets of governmental activities increased by \$3,858,326 or 83.0 percent compared to 2010. This increase in assets is primarily attributable to an increase in the General Fund of \$4,159,442 offset by a decrease in Other Governmental Funds of \$343,324. The increase in the General Fund resulted primarily from an increase in municipal income tax collections of \$3,758,872 and inheritance tax distributions of \$493,801.
- The Village's general receipts are primarily made up of municipal income taxes, property taxes, and tax incremental financing revenue or payments in lieu of taxes. These items account for 78.0 percent of total general receipts. Municipal income taxes increased by \$3,758,872 or 34.2 percent, property taxes increased by \$12,397 or 1.8 percent and payments in lieu of taxes decreased by \$2,398 or .3 percent as compared to 2010.
- Total disbursements decreased \$3,075,471 or 14.1 percent as compared to 2010 primarily due to a decrease in disbursements associated with the construction of the new police station totaling \$3,961,274 offset by an increase in disbursements associated with road improvement projects totaling \$964,446.

**Using the Basic Financial Statements**

**Report Components**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting. For 2011, the Village implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The statement of net assets and the statement of activities display information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited  
(Continued)**

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2011, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes. The statement of net assets and the statement of activities reflect how the Village did financially during 2011, within the limitations of cash basis accounting.

In the statement of net assets and the statement of activities, we express the Village's activities as the following:

***Governmental activities.*** The Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited  
(Continued)**

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and fiduciary.

**Governmental Funds** - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds in 2011 are the General Fund, the General Bond Retirement Fund and the Street Construction Maintenance and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

**The Village as a Whole**

**Table 1** provides a summary of the Village's net assets for 2011 compared to 2010 on a cash basis:

(Table 1)  
**Net Assets**

Governmental Activities			
	2011	2010	Change
<b>Assets</b>			
Equity in Pooled Cash and			
Cash Equivalents	\$8,504,714	\$4,646,388	\$3,858,326
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$249,451	\$764,423	(\$514,972)
Debt Service	45,264	63,625	(18,361)
Other Purposes	491,924	648,788	(156,864)
Unrestricted	7,718,075	3,169,552	4,548,523
<b>Total Net Assets</b>	<b>\$8,504,714</b>	<b>\$4,646,388</b>	<b>\$3,858,326</b>

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited  
(Continued)**

Net assets of governmental activities increased \$3,858,326 or 83.0 percent as compared to 2010. As previously mentioned, this increase in assets is primarily attributable to an increase in the General Fund of \$4,159,442 offset by a decrease in Other Governmental Funds of \$343,324. The increase in the General Fund primarily resulted from an increase in municipal income tax collections of \$3,758,872 and inheritance tax distributions of \$493,801.

**Table 2** reflects the changes in net assets on a cash basis in 2011 and 2010 for governmental activities.

(Table 2)  
**Changes in Net Assets**  
Governmental Activities

	2011	2010	Change
<b>Receipts:</b>			
Program Receipts:			
Charges for Services and Sales	\$1,356,864	\$1,603,688	(\$246,824)
Operating Grants and Contributions	8,868	6,715	2,153
Capital Grants and Contributions	202,694	924,695	(722,001)
<b>Total Program Receipts</b>	<b>1,568,426</b>	<b>2,535,098</b>	<b>(966,672)</b>
General Receipts:			
Property Taxes	693,984	681,587	12,397
Municipal Income Taxes	14,758,495	10,999,623	3,758,872
Hotel Taxes	235,559	194,531	41,028
Payments in Lieu of Taxes	948,377	950,775	(2,398)
Grants and Entitlements Not Restricted to Specific Programs	998,618	585,918	412,700
Franchise Taxes	55,561	36,032	19,529
Interest	2,946	78,116	(75,170)
Proceeds of Notes	2,900,000	3,400,000	(500,000)
Sale of Capital Assets	8,943	5,858	3,085
Miscellaneous	416,934	175,886	241,048
<b>Total General Receipts</b>	<b>21,019,417</b>	<b>17,108,326</b>	<b>3,911,091</b>
<b>Total Receipts</b>	<b>22,587,843</b>	<b>19,643,424</b>	<b>2,944,419</b>
<b>Disbursements:</b>			
General Government	2,386,524	2,500,053	(113,529)
Security of Persons and Property	5,361,210	5,175,646	185,564
Public Health Services	14,726	14,205	521
Leisure Time Activities	923,088	929,914	(6,826)
Basic Utility Services	245,284	222,439	22,845
Community Development	374,593	354,682	19,911
Transportation	2,134,222	2,080,824	53,398
Capital Outlay	2,277,047	5,293,202	(3,016,155)
Debt Service			
Principal Retirement	4,590,890	4,758,660	(167,770)
Interest and Fiscal Charges	421,933	475,363	(53,430)
<b>Total Disbursements</b>	<b>18,729,517</b>	<b>21,804,988</b>	<b>(3,075,471)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>3,858,326</b>	<b>(2,161,564)</b>	<b>6,019,890</b>
<b>Net Assets, Beginning of Year</b>	<b>4,646,388</b>	<b>6,807,952</b>	<b>(2,161,564)</b>
<b>Net Assets, End of Year</b>	<b>\$8,504,714</b>	<b>\$4,646,388</b>	<b>\$ 3,858,326</b>

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited  
(Continued)**

Program receipts represent 6.9 percent of total receipts in 2011 and are comprised of charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program.

General receipts represent 93.1 percent of the Village's total receipts, and of this amount, 78.0 percent represents municipal income taxes, property taxes and payment in lieu of taxes and 13.8 percent represents proceeds from notes issued. State and federal grants and entitlements, hotel taxes, franchise taxes, proceeds from sale of capital assets, investment income and miscellaneous receipts make up the balance of the Village's general receipts.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of the Mayor's Office, Council, the Finance and Economic Development Office, the Law Department and other departments.

Security of Persons and Property are the costs of police, fire protection and emergency medical services. Public Health Services consist of payments to the Dog Warden, payments to the Cuyahoga County Board of Health and the Flu Shot program. Leisure Time Activities is the maintenance of the parks and playing fields. Transportation is the cost of maintaining the Village roads.

**Table 3** presents a summary for governmental activities for 2011 and 2010, the total cost of services and the net cost of providing those services.

(Table 3)  
**Governmental Activities**

	Total Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2011	Net Cost of Services 2010
General Government	\$2,386,524	\$2,500,053	\$2,120,472	\$2,087,355
Security of Persons and Property	5,361,210	5,175,646	4,726,443	4,529,741
Public Health Services	14,726	14,205	11,726	10,485
Leisure Time Activities	923,088	929,914	503,071	515,143
Basic Utility Services	245,284	222,439	245,284	128,284
Community Development	374,593	354,682	374,030	354,359
Transportation	2,134,222	2,080,824	2,096,822	2,045,924
Capital Outlay	2,277,047	5,293,202	2,222,124	4,514,963
Debt Service:				
Principal Retirement	4,590,890	4,758,660	4,439,186	4,608,273
Interest and Fiscal Charges	421,933	475,363	421,933	475,363
<b>Total</b>	<b>\$18,729,517</b>	<b>\$21,804,988</b>	<b>\$17,161,091</b>	<b>\$19,269,890</b>

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited  
(Continued)**

**The Village's Funds**

Total governmental funds had receipts and other financing sources excluding transfers of \$22,587,843 and disbursements of \$18,729,517. The greatest changes within governmental funds occurred within the General Fund. The General Fund increased by \$4,159,442 or 128.4 percent, primarily the result of an increase in municipal income tax collections of \$3,758,872 and inheritance tax distributions of \$493,801.

**General Fund Budgeting Highlight**

The Village's budget is prepared according to the laws of the State of Ohio and is based on accounting for certain transactions on a cash basis for receipts, expenditures, and encumbrances. The most significant budgeted fund is the General Fund. The legal level of budgetary control is at the fund level for all funds.

During 2011, the Village amended its General Fund budget to reflect changing circumstances. Original and final budgeted revenues were \$14,748,500 and actual receipts were \$17,353,502. Original and final budgeted appropriations were \$14,240,034 and actual expenditures were \$13,790,383.

**Debt Administration**

The outstanding debt for the Village as of December 31, 2011 was \$13,267,634. This balance reflects a decrease of \$1,690,890 from the balance at December 31, 2010 of \$14,958,524.

(Table 4)

**Outstanding Debt at December 31**

	Governmental Activities		Change
	2011	2010	
Notes Payable	\$2,900,000	\$3,400,000	(\$500,000)
General Obligation Bonds	5,565,000	5,965,000	(400,000)
OPWC Loans	804,210	864,295	(60,085)
OWDA Loans	780,722	830,684	(49,962)
State Infrastructure Bank Loans	3,217,702	3,898,545	(680,843)
<b>Totals</b>	<b>\$13,267,634</b>	<b>\$14,958,524</b>	<b>(\$1,690,890)</b>

The notes payable were issued for the purpose of acquiring certain real estate, existing buildings and other structures located thereon for the purpose of improving the parks and recreation system and to conserve, preserve and enhance the availability of open spaces in the Village. They are dated August 30, 2011, mature on August 30, 2012 and bear interest at the rate of 1.125 percent.

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited  
(Continued)**

**Debt Administration (Continued)**

The general obligation bonds include \$1,035,000 issued for construction of the fire station, \$3,705,000 issued for the construction of the police station, and \$825,000 issued for construction of the Highland Road underpass.

The OPWC loans are interest free and include \$82,315 relating to the 1996 Worton Park Sanitary Sewer System Project and \$721,895 relating to the 2003 S.O.M. Center Road Widening Project.

The OWDA loans include \$102,317 relating to the 1996 Worton Park Sanitary Sewer System Project and \$678,405 relating to the 2008 Highland Road, Metro Park Drive and Zorn Lane septic systems conversion project.

The Village has two State Infrastructure Bank (S.I.B.) Loans from the Ohio Department of Transportation. The first S.I.B. loan is being repaid over a seventeen year period with a 4 percent interest rate. As of December 31, 2011, the outstanding balance of the first S.I.B. loan was \$1,746,114. The second S.I.B. loan will be repaid over nine years with a 3 percent interest rate. The outstanding balance of the second S.I.B. loan as of December 31, 2011 was \$1,471,588. The debt service payments for both S.I.B. loans are offset by annual special assessments and Tax Incremental Financing Payments or Payments in Lieu of Taxes exceeding \$900,000 per year.

For further information regarding the Village's debt, refer to Notes 11 and 12 to the basic financial statements.

**Current Issues**

On May 4, 2010, Mayfield Village residents approved a one-half percent increase in the municipal income tax rate. This tax rate increase went into effect on July 1, 2010 and was expected to generate approximately \$3 million of additional revenue annually. These annual proceeds are being used to retire debt, grow reserves, offer economic development incentives to existing and prospective businesses, support daily operations and fund capital equipment and infrastructure needs. For 2011, this tax rate increase generated additional revenues totaling \$3,629,228.

**Contacting Mayfield Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Ronald C. Wynne, CPA, Director of Finance, Mayfield Village, 6622 Wilson Mills Road, Mayfield Village, Ohio 44143. Mr. Wynne can be contacted via email at [rwynne@mayfieldvillage.com](mailto:rwynne@mayfieldvillage.com) or via the Village website at [www.mayfieldvillage.com](http://www.mayfieldvillage.com).

**Village of Mayfield, Ohio**  
**Cuyahoga County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2011*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$8,504,714</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$249,451
Debt Service	45,264
Other Purposes	491,924
Unrestricted	<u>7,718,075</u>
<i>Total Net Assets</i>	<u>\$8,504,714</u>

See accompanying notes to the basic financial statements

**Village of Mayfield, Ohio**  
**Cuyahoga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2011*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Current:					
General Government	\$2,386,524	\$266,052	\$0	\$0	(\$2,120,472)
Security of Persons and Property	5,361,210	625,899	8,868	0	(4,726,443)
Public Health Services	14,726	3,000	0	0	(11,726)
Leisure Time Activities	923,088	420,017	0	0	(503,071)
Basic Utility Services	245,284	0	0	0	(245,284)
Community Development	374,593	563	0	0	(374,030)
Transportation	2,134,222	37,400	0	0	(2,096,822)
Capital Outlay	2,277,047	3,933	0	50,990	(2,222,124)
Debt Service:					
Principal Retirement	4,590,890	0	0	151,704	(4,439,186)
Interest and Fiscal Charges	421,933	0	0	0	(421,933)
<b>Total Governmental Activities</b>	<b>\$18,729,517</b>	<b>\$1,356,864</b>	<b>\$8,868</b>	<b>\$202,694</b>	<b>(17,161,091)</b>
<b>General Receipts</b>					
Property Taxes Levied for:					
General Purposes					165,190
Debt Service					424,637
Other Purposes					104,157
Municipal Income Taxes					14,758,495
Hotel Taxes					235,559
Grants and Entitlements not Restricted to Specific Programs					998,618
Payments in Lieu of Taxes					948,377
Franchise Taxes					55,561
Interest					2,946
Notes Issued					2,900,000
Sale of Capital Assets					8,943
Miscellaneous					416,934
<b>Total General Receipts</b>					<b>21,019,417</b>
Change in Net Assets					3,858,326
<i>Net Assets, Beginning of Year</i>					4,646,388
<i>Net Assets, End of Year</i>					<b>\$8,504,714</b>

See accompanying notes to the basic financial statements

**Village of Mayfield, Ohio**  
**Cuyahoga County**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2011*

	General	S.C.M. & R.	General Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$7,400,124	\$161,003	\$45,264	\$898,323	\$8,504,714
<b>Fund Balances</b>					
Restricted	\$1,384	\$161,003	\$45,264	\$578,988	\$786,639
Committed	209,488	0	0	297,487	506,975
Assigned	918,811	0	0	21,848	940,659
Unassigned	6,270,441	0	0	0	6,270,441
<i>Total Fund Balances</i>	<u>\$7,400,124</u>	<u>\$161,003</u>	<u>\$45,264</u>	<u>\$898,323</u>	<u>\$8,504,714</u>

See accompanying notes to the basic financial statements

**Village of Mayfield, Ohio**  
**Cuyahoga County**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2011*

	General	S.C.M. & R.	General Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Municipal Income Taxes	\$14,758,495	\$0	\$0	\$0	\$14,758,495
Property Taxes	165,190	0	424,637	104,157	693,984
Hotel Taxes	38,877	0	0	196,682	235,559
Special Assessments	0	0	151,704	94,463	246,167
Payments in Lieu of Taxes	0	0	948,377	0	948,377
Charges for Services	833,982	0	0	6,933	840,915
Fees, Licenses and Permits	91,288	0	0	563	91,851
Fines and Forfeitures	136,467	0	0	0	136,467
Intergovernmental	787,714	147,241	42,617	80,903	1,058,475
Franchise Taxes	0	26,206	0	29,355	55,561
Rentals	168,437	0	0	20,055	188,492
Contributions and Donations	0	0	0	4,677	4,677
Interest	2,768	46	0	132	2,946
Miscellaneous	364,361	0	52,573	0	416,934
<i>Total Receipts</i>	<u>17,347,579</u>	<u>173,493</u>	<u>1,619,908</u>	<u>537,920</u>	<u>19,678,900</u>
<b>Disbursements</b>					
Current:					
General Government	2,353,423	0	8,143	24,958	2,386,524
Security of Persons and Property	5,238,616	0	0	122,594	5,361,210
Public Health Services	12,982	0	0	1,744	14,726
Leisure Time Activities	918,964	0	0	4,124	923,088
Basic Utility Services	223,284	0	0	22,000	245,284
Community Development	372,690	0	0	1,903	374,593
Transportation	1,952,946	96,773	0	84,503	2,134,222
Capital Outlay	461,175	966,151	0	849,721	2,277,047
Debt Service:					
Principal Retirement	0	0	4,590,890	0	4,590,890
Interest and Fiscal Charges	0	0	421,933	0	421,933
<i>Total Disbursements</i>	<u>11,534,080</u>	<u>1,062,924</u>	<u>5,020,966</u>	<u>1,111,547</u>	<u>18,729,517</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,813,499</u>	<u>(889,431)</u>	<u>(3,401,058)</u>	<u>(573,627)</u>	<u>949,383</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	8,943	0	0	0	8,943
Notes Issued	0	0	2,900,000	0	2,900,000
Transfers In	0	950,000	482,697	313,000	1,745,697
Transfers Out	(1,663,000)	0	0	(82,697)	(1,745,697)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,654,057)</u>	<u>950,000</u>	<u>3,382,697</u>	<u>230,303</u>	<u>2,908,943</u>
<i>Net Change in Fund Balances</i>	4,159,442	60,569	(18,361)	(343,324)	3,858,326
<i>Restated Fund Balances, Beginning of Year</i>	<u>3,240,682</u>	<u>100,434</u>	<u>63,625</u>	<u>1,241,647</u>	<u>4,646,388</u>
<i>Fund Balances, End of Year</i>	<u>\$7,400,124</u>	<u>\$161,003</u>	<u>\$45,264</u>	<u>\$898,323</u>	<u>\$8,504,714</u>

See accompanying notes to the basic financial statements

**Village of Mayfield, Ohio**  
**Cuyahoga County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Receipts</b>				
Municipal Income Taxes	\$12,670,000	\$12,670,000	\$14,758,495	\$2,088,495
Property Taxes	165,000	165,000	165,190	190
Hotel Taxes	35,000	35,000	38,877	3,877
Charges for Services	811,500	811,500	833,982	22,482
Fees, Licenses and Permits	81,000	81,000	91,288	10,288
Fines and Forfeitures	192,000	192,000	136,467	(55,533)
Intergovernmental	547,000	547,000	787,714	240,714
Rentals	135,000	135,000	165,417	30,417
Interest	5,000	5,000	2,768	(2,232)
Miscellaneous	92,000	92,000	364,361	272,361
<i>Total Receipts</i>	<u>14,733,500</u>	<u>14,733,500</u>	<u>17,344,559</u>	<u>2,611,059</u>
<b>Disbursements</b>				
Current:				
General Government	2,903,449	2,761,453	2,522,815	238,638
Security of Persons and Property	5,384,277	5,492,808	5,420,901	71,907
Public Health Services	14,000	14,000	12,982	1,018
Leisure Time Activities	987,673	992,008	925,899	66,109
Basic Utility Services	215,983	215,983	244,695	(28,712)
Community Development	390,854	394,979	381,752	13,227
Transportation	2,046,998	2,072,003	1,983,913	88,090
Capital Outlay	483,800	483,800	484,426	(626)
<i>Total Disbursements</i>	<u>12,427,034</u>	<u>12,427,034</u>	<u>11,977,383</u>	<u>449,651</u>
<i>Excess of Receipts Over Disbursements</i>	<u>2,306,466</u>	<u>2,306,466</u>	<u>5,367,176</u>	<u>3,060,710</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	15,000	15,000	8,943	(6,057)
Transfers Out	(1,813,000)	(1,813,000)	(1,813,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,798,000)</u>	<u>(1,798,000)</u>	<u>(1,804,057)</u>	<u>(6,057)</u>
<i>Net Change in Fund Balance</i>	508,466	508,466	3,563,119	3,054,653
<i>Unencumbered Fund Balance, Beginning of Year</i>	2,616,812	2,616,812	2,616,812	0
Prior Year Encumbrances Appropriated	552,740	552,740	552,740	0
<i>Unencumbered Fund Balance, End of Year</i>	<u>\$3,678,018</u>	<u>\$3,678,018</u>	<u>\$6,732,671</u>	<u>\$3,054,653</u>

See accompanying notes to the basic financial statements

**Village of Mayfield, Ohio**  
**Cuyahoga County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*S.C.M. & R. Fund*  
*For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$149,000	\$149,000	\$147,241	(\$1,759)
Franchise Taxes	17,000	17,000	26,206	9,206
Interest	0	0	46	46
<i>Total Receipts</i>	<u>166,000</u>	<u>166,000</u>	<u>173,493</u>	<u>7,493</u>
<b>Disbursements</b>				
Current:				
Transportation	101,000	101,000	98,273	2,727
Capital Outlay	1,000,000	1,050,000	1,070,258	(20,258)
<i>Total Disbursements</i>	<u>1,101,000</u>	<u>1,151,000</u>	<u>1,168,531</u>	<u>(17,531)</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(935,000)</u>	<u>(985,000)</u>	<u>(995,038)</u>	<u>(10,038)</u>
<b>Other Financing Sources</b>				
Transfers In	1,000,000	950,000	950,000	0
<i>Total Other Financing Sources</i>	<u>1,000,000</u>	<u>950,000</u>	<u>950,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	65,000	(35,000)	(45,038)	(10,038)
<i>Unencumbered Fund Balance, Beginning of Year</i>	96,972	96,972	96,972	0
Prior Year Encumbrances Appropriated	3,462	3,462	3,462	0
<i>Unencumbered Fund Balance, End of Year</i>	<u>\$165,434</u>	<u>\$65,434</u>	<u>\$55,396</u>	<u>(\$10,038)</u>

See accompanying notes to the basic financial statements

**Village of Mayfield, Ohio**  
**Cuyahoga County**  
*Statement of Fiduciary Assets and Net Assets - Cash Basis*  
*Agency Funds*  
*December 31, 2011*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$18,112</u></u>
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**Net Assets**

Held on Behalf of Contractors	<u><u>\$18,112</u></u>
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See accompanying notes to the basic financial statements

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 1. DESCRIPTION OF THE VILLAGE AND REPORTING ENTITY**

The Village of Mayfield, Cuyahoga County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected seven-member Council and Mayor. The Village provides general government services, maintenance of roads, garbage collection, sanitary sewer and storm sewer facilities, building, zoning, and police and fire protection.

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations for which the Village approves the budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

The Village participates in the Northeast Ohio Public Energy Council (NOPEC), Eastern Suburban Regional Council of Governments, and Mayfield Union Cemetery, jointly governed organizations. Note 15 to the financial statements provides additional information for these entities.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America ("GAAP"). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board ("GASB") pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

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

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the Village that are governmental and those that are considered business-type activities. The Village has no business-type activities.

The government-wide statement of net assets presents the cash balances of the governmental activities of the Village at year end. The government-wide statement of activities compares disbursements with program receipts for each program or function of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing on a cash basis or draws from the Village's general receipts.

**FUND FINANCIAL STATEMENTS**

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

**B. Fund Accounting**

The Village 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 funds of the Village are divided into two categories, governmental and fiduciary.

**GOVERNMENTAL FUNDS**

Governmental funds are those through which most governmental functions of the Village are financed. Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Village's major governmental funds:

**General Fund** – The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred accordingly to the Charter of the Village and/or general laws of Ohio.

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

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

***General Bond Retirement Fund*** – This fund receives property taxes and the note proceeds for the retirement of the Village bonds and notes.

***Street Construction Maintenance and Repair (S.C.M. & R.) Fund*** – This fund receives cable franchise fees, gasoline tax and motor vehicle license registration fees for the maintenance and repair of streets within the Village.

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

**FIDUCIARY FUNDS**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the Village's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village's only fiduciary funds are agency funds which account for the collection and distribution of contractor's performance bonds and to receive bail bond money which is remitted to the Lyndhurst Municipal Court.

**C. Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in the notes.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds. Budgetary modifications may only be made by ordinance of the Village Council at the legal level of control.

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

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

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

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance 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 the Village Council during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through the Village's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2011, investments were limited to certificates of deposit, STAR Ohio and a savings bond.

Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices or, in the case of mutual funds, current share price. Non-participating investment contracts such as repurchase agreements are reported at cost.

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, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2011.

Interest earnings are allocated to Village funds according to State statutes, the Charter and Codified Ordinances of the Village, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2011 was \$2,768 which includes \$292 assigned from other Village funds.

VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)

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

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**G. Inventory and Prepaid Items**

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Interfund Receivables/Payables**

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

**K. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

**L. Long-Term Obligations**

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditures are reported at inception. Lease payments are reported when paid.

VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)

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

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports \$786,639 of restricted assets, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for street construction, maintenance and repair, street lighting and law enforcement. The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village 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 are 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. It also includes the long-term amount of interfund loans.

**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.

Enabling legislation authorizes the Village 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 Village 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 (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the 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 Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is 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.

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

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

**Assigned** - Amounts in the assigned fund balance classification are intended to be used by the Village 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. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

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

The Village 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.

**O. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**NOTE 3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS/FUND EQUITY**

For 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had the following effect on fund balances of the major governmental funds and all other governmental funds as previously reported:

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**NOTE 3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS/FUND EQUITY (Continued)**

	General	General Bond Retirement	Municipal Complex Center	Other Governmental Funds	Total Governmental Funds
Fund Balance at December 31, 2010	\$3,169,552	\$63,625	\$101,800	\$1,311,411	\$4,646,388
GASB 54 Change in in Fund Structure	71,130	0	0	(71,130)	0
Adjusted Fund Balance at December 31, 2010	<u>\$3,240,682</u>	<u>\$63,625</u>	<u>\$101,800</u>	<u>\$1,240,281</u>	<u>\$4,646,388</u>

**NOTE 4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund and S.C.M. & R. Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis), and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$542,851 in the General Fund and \$105,607 in the S.C.M. & R. Fund.

Additionally, as part of GASB Statement No. 54, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund in the cash basis financial statements. However, on the budgetary basis, the activity of these special revenue funds is excluded resulting in a decrease in fund balance of the General Fund of \$124,602.

**NOTE 5. DEPOSITS AND INVESTMENTS**

The Village has elected to follow the provisions of State statutes. State statutes classify monies held by the Village into three categories.

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

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Inactive deposits are public deposits that the 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.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies held by the Village 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 obligation or security issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (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;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances with appropriate limitations if ORC training requirements have been met.

VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

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

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, all of the Village's bank balance of \$6,398,239 was insured and collateralized.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

As of December 31, 2011, the Village had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturity</u>
U.S. Savings Bond	\$1,000	12 Years
Certificates of Deposit	1,195,286	8 to 20 Months
STAR Ohio	<u>1,171,410</u>	Average 60 Days
Total Portfolio	<u><u>\$2,367,696</u></u>	

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses caused by rising interest rates, the Village's investment policy requires that operating funds be invested primarily in investments so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

*Credit Risk:* STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Village has no policy that addresses credit risk.

*Concentration of Credit Risk:* The Village places no limit on the amount it may invest in any one issuer. The Village's investments in U.S. Savings Bond, Certificates of Deposit and STAR Ohio represent .04%, 50.48% and 49.48%, respectively.

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**NOTE 6. INCOME TAXES**

The Village levies a municipal income tax of 2.0 percent on all salaries, wages, lottery winnings, commissions and other compensation, and net profits earned within the Village as well as income of residents earned outside of the Village. The Village allows a credit of the lesser of actual taxes paid to another municipality or one hundred percent of the Village's municipal tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

The Regional Income Tax Agency (RITA) administers and collects income taxes for the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to RITA either monthly or quarterly, as required. RITA distributes to the Village its portion of the income tax monthly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income tax revenue is credited to the General Fund.

**NOTE 7. PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes are levied after October 1, 2011 on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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. 2011 public utility property taxes which became a lien on December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2011, was \$7.30 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

Real Estate:	
Residential/Agricultural	\$103,929,870
Other Real Estate	68,239,510
Tangible Personal Property:	
Public Utility	4,121,550
Total Assessed Values	<u><u>\$176,290,930</u></u>

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**NOTE 7. PROPERTY TAXES (Continued)**

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

**NOTE 8. RISK MANAGEMENT**

The Village 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. During 2011, the Village contracted with several insurance companies for various types of coverage as follows:

<u>Types of Coverage</u>	<u>Amount of Coverage</u>
Commercial Property	\$23,873,999
General Liability	1,000,000
Commercial Crime	100,000
Inland Marine	986,550
Automobile	1,000,000
Police Liability	1,000,000
Employment Practices Liability	1,000,000
Public Officials	1,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

Workers' compensation coverage is provided by the State. The Village pays the State Workers' Compensation System a premium based on a rate of \$1.51 per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Village provides all of its full-time employees and two of its part-time employees with hospitalization through Anthem Blue Cross and Blue Shield, and dental insurance through Principal Financial Insurance Company.

**NOTE 9. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - The Village participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**NOTE 9. DEFINED BENEFIT PENSION PLANS (Continued)**

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10.0 percent of covered payroll. For the year ended December 31, 2011, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 11.0 percent and 11.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011, member and employer contribution rates were consistent across all three plans.

The Village's contribution rate for 2011 was 14.0 percent, except for those plan members in public safety and law enforcement, for whom the Village's contribution rate was 18.1 percent of covered payroll. The portion of the Village's contributions allocated to health care for members in the Traditional Pension Plan was 4.0 percent during calendar year 2011. The portion of the Village's contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010 and 2009 were \$337,624, \$295,961 and \$285,058, respectively; 100 percent has been contributed for 2011, 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$4,544 made by the Village and \$3,246 made by the plan members.

**B. Ohio Police and Fire Pension Fund**

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

Funding Policy - The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**NOTE 9. DEFINED BENEFIT PENSION PLANS (Continued)**

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. For 2011, a portion of the Village's contributions equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The Village's contributions to OP&F for police and firefighters were \$183,025 and \$140,492 for the year ended December 31, 2011, \$174,523 and \$132,216 for the year ended December 31, 2010 and \$168,662 and \$135,157 for the year ended December 31, 2009, respectively. The full amount has been contributed for 2011, 2010 and 2009.

**NOTE 10. POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

Plan Description – 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 plan for qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained 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 post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the Traditional Pension and Combined Plans is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local government employers contributed at a rate of 14.0 percent of covered payroll and public safety and law enforcement employees contributed 18.1 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**NOTE 10. POST-EMPLOYMENT BENEFITS (Continued)**

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retirees or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010 and 2009 were \$135,040, \$168,705 and \$206,146, respectively; 100 percent has been contributed for 2011, 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

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

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

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

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

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 by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**NOTE 10. POST-EMPLOYMENT BENEFITS (Continued)**

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

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 Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$96,830 and \$54,907 for the year ended December 31, 2011, \$92,332 and \$51,673 for the year ended December 31, 2010 and \$89,231 and \$52,822 for the year ended December 31, 2009, respectively. The full amount has been contributed for 2011, 2010 and 2009.

**NOTE 11. NOTES PAYABLE**

The changes in the Village's notes payable during 2011 were as follows:

<b>Governmental Activities</b>	Interest Rate	Outstanding 12/31/2010	Additions	(Reductions)	Outstanding 12/31/2011
2010 Bond Anticipation Notes	1.125%	\$3,400,000	\$0	(\$3,400,000)	\$0
2011 Bond Anticipation Notes	1.125%	0	2,900,000	0	2,900,000
<b>Total Governmental Activities</b>		<u>\$3,400,000</u>	<u>\$2,900,000</u>	<u>(\$3,400,000)</u>	<u>\$2,900,000</u>

The bond anticipation notes are backed by the full faith and credit of the Village and mature within one year. They will be paid from the general obligation bond retirement debt service fund. The bond anticipation notes were issued to acquire land and real estate to conserve, preserve, and enhance the availability of open spaces, and for recreational purposes.

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**NOTE 12. DEBT**

Original issue amounts and year of maturity of the Village's loans were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
<b>Governmental Activities</b>			
General Obligation Bonds:			
2006 Fire Station Refunding	3.7%-5.0%	\$1,890,000	2016
2006 Police Station Refunding	3.7%-5.0%	4,500,000	2026
2006 Highland Road Underpass Refunding	3.7%-5.0%	1,000,000	2026
OPWC Loans:			
1996 Worton Park	0%	299,329	2017
2003 S.O.M. Center Road Widening	0%	902,368	2027
OWDA Loans:			
1996 Sewer Construction	4.04% - 4.16%	253,846	2016
2008 Sewer Construction	3.25%	800,000	2027
1998 State Infrastructure Bank Loan	4.00%	3,445,275	2018
2004 State Infrastructure Bank Loan	3.00%	3,990,000	2014

**VILLAGE OF MAYFIELD  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**NOTE 12. DEBT (Continued)**

A schedule of changes in long-term obligations of the Village during 2011 follows:

	Outstanding 12/31/2010	Additions	(Reductions)	Outstanding 12/31/2011	Due in One Year
<b>Governmental Activities</b>					
General Obligation Bonds:					
2006 Fire Station Refunding	\$1,220,000	\$0	(\$185,000)	\$1,035,000	\$190,000
2006 Police Station Refunding	3,880,000	0	(175,000)	3,705,000	185,000
2006 Highland Road Underpass Refunding	865,000	0	(40,000)	825,000	40,000
Total General Obligation Bonds	<u>5,965,000</u>	<u>0</u>	<u>(400,000)</u>	<u>5,565,000</u>	<u>415,000</u>
OPWC Loans:					
1996 Worton Park	97,282	0	(14,967)	82,315	14,967
2003 S.O.M. Center Road Widening	767,013	0	(45,118)	721,895	45,118
Total OPWC Loans	<u>864,295</u>	<u>0</u>	<u>(60,085)</u>	<u>804,210</u>	<u>60,085</u>
OWDA Loans:					
1996 Sewer Construction	120,395	0	(18,078)	102,317	18,830
2008 Sewer Construction	710,289	0	(31,884)	678,405	32,929
Total OWDA Loans	<u>830,684</u>	<u>0</u>	<u>(49,962)</u>	<u>780,722</u>	<u>51,759</u>
State Infrastructure Bank Loans:					
1998 State Infrastructure Bank Loan	1,964,924	0	(218,810)	1,746,114	225,979
2004 State Infrastructure Bank Loan	1,933,621	0	(462,033)	1,471,588	475,998
Total State Infrastructure Bank Loans	<u>3,898,545</u>	<u>0</u>	<u>(680,843)</u>	<u>3,217,702</u>	<u>701,977</u>
Total Governmental Activities	<u>\$11,558,524</u>	<u>\$0</u>	<u>(\$1,190,890)</u>	<u>\$10,367,634</u>	<u>\$1,228,821</u>

In 2006, the Village issued \$7,390,000 in general obligation refunding bonds and at varying interest rates. Proceeds were used to fully refund the outstanding 1996 Fire Station general obligation bonds and to fund the construction of a new police station and underpass on Highland Road.

Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 1996 Fire Station general obligation bonds. As a result, \$1,990,000 of these bonds were considered defeased. The amount still outstanding at December 31, 2011 is \$1,040,000.

The Worton Park and S.O.M. Center Road OPWC loans and the Sewer Construction OWDA loans will be paid from the general obligation bond retirement debt service fund.

The State Infrastructure Bank Loans were issued for the completion of the North Commons Boulevard and Parkview Drive Construction on the interior roadway project and the engineering and the right-of-way acquisition for the widening of S.O.M. Center Road. The loan will be repaid in part by the proceeds of a Tax Incremental Financing Plan agreed between the Progressive Casualty Insurance Company and the Village in 1999.

**VILLAGE OF MAYFIELD  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**NOTE 12. DEBT (Continued)**

The Village has assigned the future proceeds to the Ohio Department of Transportation.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2011, are as follows:

**Governmental Activities**

Year	General Obligation Bonds		OPWC Loans		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$415,000	\$223,418	\$60,085	\$0	\$51,759	\$25,803
2013	425,000	205,780	60,085	0	53,621	23,941
2014	455,000	186,655	60,085	0	55,551	22,011
2015	465,000	166,180	60,085	0	57,552	20,011
2016	490,000	148,975	60,085	0	59,625	17,937
2017-2021	1,475,000	545,583	233,075	0	206,540	67,018
2022-2026	1,840,000	227,800	225,592	0	242,667	30,833
2027	0	0	45,118	0	53,406	1,305
Total	<u>\$5,565,000</u>	<u>\$1,704,391</u>	<u>\$804,210</u>	<u>\$0</u>	<u>\$780,722</u>	<u>\$208,859</u>

Year	State Infrastructure Bank Loans		Total	
	Principal	Interest	Principal	Interest
2012	\$701,977	\$95,532	\$1,228,821	\$344,753
2013	723,768	73,741	1,262,474	303,462
2014	746,236	51,272	1,316,872	259,938
2015	248,927	31,980	831,564	218,171
2016	257,083	23,824	866,793	190,736
2017-2021	539,711	22,102	2,454,326	634,703
2022-2026	0	0	2,308,259	258,633
2027	0	0	98,525	1,305
Total	<u>\$3,217,702</u>	<u>\$298,451</u>	<u>\$10,367,634</u>	<u>\$2,211,701</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Ohio Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2011, were an overall debt margin of \$12,990,812 and an unvoted debt margin of \$4,176,265.

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**NOTE 13. FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village 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	S.C.M. & R.	General Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Restricted for:</b>					
Road Maintenance and Improvements	\$0	\$161,003	\$0	\$68,105	\$229,108
Police and Fire Operations	0	0	0	61,916	61,916
Police Pension	0	0	0	648	648
Cemetery	1,384	0	0	18,577	19,961
Street Lighting	0	0	0	195,191	195,191
Debt Service	0	0	45,264	0	45,264
Drug and Alcohol Education and Enforcement	0	0	0	1,151	1,151
DARE Program	0	0	0	34,055	34,055
Construction of Green Corridor	0	0	0	174,143	174,143
Other Purposes	0	0	0	25,202	25,202
<i>Total Restricted</i>	<u>1,384</u>	<u>161,003</u>	<u>45,264</u>	<u>578,988</u>	<u>786,639</u>
<b>Committed to:</b>					
Economic Development	0	0	0	154,227	154,227
Capital Improvements	0	0	0	112,919	112,919
Other Purposes	209,488	0	0	30,341	239,829
<i>Total Committed</i>	<u>209,488</u>	<u>0</u>	<u>0</u>	<u>297,487</u>	<u>506,975</u>
<b>Assigned to:</b>					
Capital Improvements	102,641	0	0	21,848	124,489
Sanitary Sewer Conversion Projects	462,230	0	0	0	462,230
Other Purposes	353,940	0	0	0	353,940
<i>Total Assigned</i>	<u>918,811</u>	<u>0</u>	<u>0</u>	<u>21,848</u>	<u>940,659</u>
<b>Unassigned:</b>	<u>6,270,441</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,270,441</u>
<i>Total Fund Balances</i>	<u><u>\$7,400,124</u></u>	<u><u>\$161,003</u></u>	<u><u>\$45,264</u></u>	<u><u>\$898,323</u></u>	<u><u>\$8,504,714</u></u>

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**NOTE 14. INTERFUND TRANSACTIONS**

Transfers made during the year ended December 31, 2011 were as follows:

Transfers from the General Fund to:	
Capital Improvement Fund	\$100,000
General Bond Retirement Fund	400,000
Green Corridor Construction Fund	175,000
Parkview Pool Improvement Fund	38,000
S.C.M. & R. Fund	950,000
Total Transfers from the General Fund	<u><u>\$1,663,000</u></u>
Transfers from Other Governmental Funds to:	
General Bond Retirement Fund	<u>\$82,697</u>
Total Transfers from Other Governmental Funds	<u><u>\$82,697</u></u>

Transfers from the General Fund represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers from Other Governmental Funds represent remaining unspent monies on completed projects in the Municipal Complex Center, Northwest Quadrant Project, Parkview Ballfields Construction and Seneca Road Project Funds.

**NOTE 15. JOINTLY GOVERNED ORGANIZATIONS**

**Northeast Ohio Public Energy Council (NOPEC)**

The Village 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 129 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. The Village did not contribute to NOPEC during 2011.

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 nine-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. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139 or at the website, [www.nopecinfo.org](http://www.nopecinfo.org).

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**NOTE 15. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Eastern Suburban Regional Council of Governments**

The Village is a member of The Eastern Suburban Regional Council of Governments (ESRCOG), which was formed in 1972 to foster cooperation between member municipalities through sharing of facilities for mutual benefit. The governing body of ESRCOG is a council comprised of one representative from each of the six participating municipalities. The Council operates in accordance with a written agreement establishing ESRCOG pursuant to Ohio Revised Code Chapter 167. The Council established one subsidiary organization, the Suburban Police Anti-Crime Network (SPAN), which provides for the mutual interchange and sharing of police personnel and police equipment to be utilized by all six (6) participating member municipalities. In 2011, all participating municipalities contributed \$102,000. The Council adopts a budget for ESRCOG annually. Each member municipality's degree of control is limited to its representation on the Council. In 2011, the Village contributed \$17,000, which represents 16.67 percent of the total contributions.

**The Mayfield Union Cemetery**

The Mayfield Union Cemetery is a jointly governed organization among three local communities (Village of Mayfield, Highland Heights and Mayfield Heights). The jointly governed organization was formed based on the boundaries in relation to the cemetery. Each of the communities contributes a nominal fee for the maintenance of the cemetery. In 2011, Mayfield Village contributed \$1,000. The Village of Mayfield assumes the daily accounting and reporting of the cemetery finances. The Cemetery Board consists of three Board members; one council member appointed from each of the three communities. Financial information can be obtained by contacting the Director of Finance at the Village of Mayfield, 6622 Wilson Mills Road, Mayfield Village, Ohio 44143.

**NOTE 16. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

At December 31, 2011, the Village's significant contractual commitments consisted of:

Project	Contract Amount	Amount Paid	Remaining on Contract
2011 Road Program	\$1,027,875	\$881,262	\$146,613
Parking Lot Retrofit Project at Wiley Park	403,737	342,519	61,218
Total	<u>\$1,431,612</u>	<u>\$1,223,781</u>	<u>\$207,831</u>

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**NOTE 17. CONTINGENT LIABILITIES**

**A. Federal and State Grants**

The Village receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally require 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 effect on the overall financial position of the Village at December 31, 2011.

**B. Litigation**

The Village is a party in legal proceedings. The Village is of the opinion that the ultimate disposition of all claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

**NOTE 18. SUBSEQUENT EVENT**

On February 9, 2012, the Village was informed by the Ohio Public Works Commission that the Raleigh, Beta, Wilson Mills Road Renovation Project was officially closed. As a result, \$253,328.26 of funding received for this project was converted to a 20 year term loan. The term loan is non-interest bearing and is payable in semiannual installments of \$6,333.21 commencing July 1, 2012.

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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

Village Council  
Village of Mayfield  
Mayfield Village, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Mayfield, Cuyahoga County, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the Village of Mayfield, Ohio's financial statements and have issued our report thereon dated March 19, 2012, wherein we noted that the Village of Mayfield, Ohio, adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted that the Village of Mayfield, Ohio, uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Village of Mayfield, Ohio is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Village of Mayfield, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Mayfield, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Mayfield, Ohio's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to the management of the Village of Mayfield, Ohio, in a separate letter dated March 19, 2012.

This report is intended solely for the information and use of management, Village Council, and others within the Village, and is not intended to be and should not be used by anyone other than these specified parties.



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

March 19, 2012

**VILLAGE OF MAYFIELD  
CUYAHOGA COUNTY  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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