



Mary Taylor, CPA
Auditor of State

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

TABLE OF CONTENTS

Title	Page
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements – Fiscal Year 2006:	
Statement of Net Assets – Cash Basis	11
Statement of Activities – Cash Basis	12
Fund Financial Statements – Fiscal Year 2006:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis – General Fund	17
Statement of Fiduciary Net Assets – Cash Basis	18
Notes to the Basic Financial Statements	19
Schedule of Federal Awards Expenditures	37
Notes to the Schedule of Federal Awards Expenditures	38
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	39
Independent Accountants' Report on Compliance with Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	41
Schedule of Findings	43
Schedule of Prior Audit Findings	46

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Mayfield
Cuyahoga County
6622 Wilson Mills Road
Mayfield Village, Ohio 44143

To the Village Council:

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 (the Village), as of and for the year ended December 31, 2006, 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'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. 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, Cuyahoga County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Village's basic financial statements. The accompanying Schedule of Federal Awards Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this schedule to the auditing procedures applied in our audit of the Village's basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 10, 2007

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2006
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, 2006, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2006 are as follows:

- Net assets of governmental activities increased \$5,207,753 or 94.7 percent, a significant increase over 2005. However, the large increase in assets is attributable almost exclusively to the sale of \$7,390,000 in general obligation bonds. \$1,890,000 of these proceeds were used to refinance the general obligation bonds for the Fire Station. The remaining \$5,500,000 million is to be used for financing the construction of the new police station and the Highland Road underpass. The largest increase was in the Municipal Complex Center fund.
- The Village's general receipts are primarily made up of income taxes, property taxes, and tax incremental financing revenue or payments in lieu of taxes, which are included in the property taxes line item in the basic financial statements. Property and other local taxes (including payments in lieu of taxes) increased by \$152,299 or 9.76%, municipal income taxes increased \$310,137 or 3.12%.
- Total disbursements increased \$3,990,898 or 18.45% as compared to 2005. The General fund and General Bond Retirement fund disbursements increased \$1,237,070 and \$1,875,457 respectively. In addition, the Northwest Quadrant fund had disbursements of \$3,004,965 compared to \$0 in 2005. These increases were offset by a decrease in disbursements in the S.O.M. Center Road Widening Project fund of \$2,126,226 as well as other fluctuations in other funds.
- The Village issued \$7,390,000 in general obligation bonds in 2006. The two primary projects for which the debt was issued was the construction of the new police station and the construction of a third underpass within in the Village. This underpass will allow pedestrians and non-vehicular traffic on the Village green corridor to travel below Highland Road rather than across the street. The reconstruction of S.O.M. Center Road was completed in 2006. Planning and design work for the new police station began in 2006. In addition, major renovation work on the Civic Center was completed in 2006.
- The Village undertook the conversion from septic systems to sanitary sewers along Highland Road, Metro Park Drive and Zorn Lane. Including the construction of the underpass below Highland Road, the cost of the project was estimated to be \$2.5 million. Unfortunately, during excavation it was discovered that the storm sewer system in the area had suffered extensive damage since it was installed. This increased the cost by approximately \$600,000.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited
(Continued)**

Using the Basic Financial Statements

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.

Report Components

The statement of net assets and the statement of activities provide 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.

The notes to the 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 2006, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments 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.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited
(Continued)**

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 2006, 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.

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 nonmajor 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 are the General, General Bond Retirement, Municipal Complex Center, Highland/Metro/Zorn Sewer, Northwest Quadrant and S.O.M. Center Road Widening Project funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial 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.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited
(Continued)**

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$10,709,023	\$5,501,270
Total Assets	10,709,023	5,501,270
Net Assets		
Restricted for:		
Debt Service	313,411	897,453
Capital Projects	7,401,051	796,731
Other Purposes	1,346,395	1,998,463
Unrestricted	1,648,166	1,808,623
Total Net Assets	\$10,709,023	\$5,501,270

- As mentioned previously, net assets of governmental activities increased \$5,207,753 or 94.7 percent during 2006. The increase in cash balances were primarily due to the issuance of \$7,390,000 of long-term general obligation debt. Of this amount, \$1,890,000 represents the refinancing of the 1996 general obligation bond issue at a significantly lower interest rate. The net \$5,500,000 is earmarked for the construction of an underpass beneath Highland Road and the construction of a new police station.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited
(Continued)**

Table 2 reflects components of the changes in net assets in 2006 and 2005 on a cash basis.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$737,305	\$763,375
Operating Grants and Special Assessments	241,312	218,819
Capital Grants and Special Assessments	383,099	3,212,560
Total Program Receipts	1,361,716	4,194,754
General Receipts:		
Property and Other Local Taxes	1,713,010	1,560,711
Income Taxes	10,241,278	9,931,141
Grants and Entitlements Not Restricted to Specific Programs	565,400	765,867
Proceeds of Notes	3,650,000	4,000,000
Proceeds from Bonds	7,390,000	0
Premium on Debt Issue	29,646	26,520
Proceeds from OPWC Loans	232,872	344,217
Proceeds from S.I.B. Loans	1,819,803	1,647,538
Sale of Capital Assets	175,409	27,119
Sale of Land	3,000,000	0
Investment Income	194,722	275,199
Miscellaneous	452,186	356,409
Total General Receipts	29,464,326	18,934,721
Total Receipts	30,826,042	23,129,475
Disbursements:		
General Government	2,671,107	2,749,497
Security of Persons and Property	4,730,944	4,426,766
Public Health Services	21,571	13,754
Leisure Time Activities	1,176,460	888,846
Community Environment	478,296	319,147
Basic Utility Services	264,266	997,770
Transportation	2,262,031	1,893,884
Capital Outlay	6,967,394	5,108,620
Principal Retirement	6,500,235	4,832,879
Interest and Fiscal Charges	545,985	396,228
Total Disbursements	25,618,289	21,627,391
Increase (Decrease) in Net Assets	5,207,753	1,502,084
Net Assets, January 1	5,501,270	3,999,186
Net Assets, December 31	\$10,709,023	\$5,501,270

**VILLAGE OF MAYFIELD
 CUYAHOGA COUNTY
 Management's Discussion and Analysis
 For the Year Ended December 31, 2006
 Unaudited
 (Continued)**

Program receipts represent 4.42 percent of total receipts in 2006.

General receipts represent 95.58 percent of the Village's total receipts, and of this amount, 44.44 percent is proceeds of bonds, notes, and loans and 40.57 percent is income and property and other taxes. Proceeds from the sale of land make up another 10.18 percent. State and federal grants and entitlements, 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.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities were for Capital Outlay, Principal Retirement, and Security of Persons and Property, which account for 27.20, 25.37, and 18.47 percent of cash disbursements for governmental activities, respectively. General Government also represented a significant cost of 10.43 percent of cash disbursements for governmental activities. The next three columns of the Statement, entitled Program Cash Receipts, identify amounts paid by people who are directly charged for the service and grants and special assessments received by the Village that must be used to provide a specific service. The net (Disbursements) Receipts and Changes in Net Assets column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2006	Net Cost of Services 2006
General Government	\$2,671,107	\$2,186,208
Security of Persons and Property	4,730,944	4,423,331
Public Health Services	21,571	18,571
Leisure Time Activities	1,176,460	1,176,460
Community Environment	478,296	452,292
Basic Utilities	264,266	7,091
Transportation	2,262,031	2,104,930
Capital Outlay	6,967,394	6,958,523
Principal Retirement	6,500,235	6,383,182
Interest and Fiscal Charges	545,985	545,985
Total Expenses	\$25,618,289	\$24,256,573

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited
(Continued)**

The dependence upon general receipts is apparent as over 94 percent of governmental activities are supported through these general receipts.

The Village's Funds

Total governmental funds had receipts and other financing sources of \$32,491,545 and disbursements and other financing uses of \$27,283,792. The greatest change within governmental funds occurred within the Municipal Complex Center fund where the fund balance increased by \$4,501,868. This increase is a result of the receipt of proceeds of bonds as discussed earlier. The fund balance of the General fund decreased \$1,069,462 or 39.34%, primarily the result of transfers out of the General fund during 2006.

General fund disbursements were more than receipts by \$1,069,462 indicating that the General Fund depleted its cash reserve, primarily a result of transfers out of the General fund during 2006.

General Fund Budgeting Highlight

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2006, the Village amended its General fund budget to reflect changing circumstances. Final budgeted receipts were equal to original budgeted receipts. Final budgeted disbursements were \$100,000 more than original budgeted disbursements. In 2006, actual receipts were \$306,627 less than the final budgeted receipts. Actual budgetary disbursements were \$493,334 less than the final budgeted disbursements.

Capital Assets and Debt Administration

Capital Assets

The Village maintains capital asset listings of its land, buildings, and vehicles. Other capital assets are not maintained on a detailed capital asset listing. These records are not required to be presented in the financial statements.

Debt

At December 31, 2006, the Village had outstanding long-term debt in the amount of \$14,786,675.

The Village's debt at December 31, 2006 included \$1,890,000 in general obligation bonds issued for construction of the fire station, \$4,500,000 in general obligation bonds issued for the construction of the police station, and \$1,000,000 in general obligation bonds issued for construction of the Highland Road underpass.

Also included in the Village's debt at December 31, 2006 is \$178,171 in Ohio EPA Supplement loans which relate to the Worton Park Sanitary Sewer System Project. The Village also has an Ohio Public Works Commission (OPWC)/Issue II interest free loans with the remaining principal amount of \$149,665 which relates to the Worton Park Sanitary Sewer System Project. The debt service on the loans related to the Worton Park Sanitary Sewer System Project is offset by the \$35,000 annual special assessments collected from the residents of Worton Park.

In addition to more than \$9,400,000 million in grants, the S.O.M. Center Road Widening Project is financed through an OPWC/Issue II interest free loan. The final loan amount is estimated to be \$902,368.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited
(Continued)**

At December 31, 2006, the Village had received \$869,395 of the loan. In addition to the OPWC loan, 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% interest rate. As of December 31, 2006, the outstanding balance of the first S.I.B. loan was \$2,623,789. The second S.I.B. loan will be repaid over nine years with a 3% interest rate. The loan includes a one-time upfront administrative fee of \$10,000. Including the administrative fee of \$10,000, the outstanding balance of the second S.I.B. loan as of December 31, 2006 was \$3,681,800. The debt service payments for both S.I.B. loans are offset by \$80,000 in annual special assessments paid by Progressive Insurance Company and annual Tax Incremental Financing Payments or Payments in Lieu of Taxes of approximately \$900,000 per year.

For further information regarding the Village's debt, refer to Note 9 to the basic financial statements.

Current Issues

The challenge for the Village has been to balance development while maintaining the distinct characteristics that distinguish the Village. Village revenues continue to improve while tax rates attributable to the Village gradually decrease. The Village has reinvested much of its revenue into property acquisition and has undertaken major capital improvement and building projects that had been neglected for decades. The Village has facilitated the conversion from septic systems to sanitary sewers and subsidized the conversions so that the process has not been financially overwhelming for residents affected. In the future, the Village will continue to pursue unique economic development issues and explore cost reductions through regionalism.

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 Philip M. Brett, CPA, Director of Finance and Economic Development, Mayfield Village, 6622 Wilson Mills Road, Mayfield Village, Ohio 44143. Mr. Brett can be contacted via email at pbrett@mayfieldvillage.com or via the Village website at www.Mayfieldvillage.com.

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Statement of Net Assets - Cash Basis
December 31, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$10,709,023
<i>Total Assets</i>	<i>\$10,709,023</i>
 Net Assets	
Restricted for:	
Capital Projects	\$7,401,051
Debt Service	313,411
Other Purposes	1,346,395
Unrestricted	1,648,166
<i>Total Net Assets</i>	<i>\$10,709,023</i>

See accompanying notes to the basic financial statements

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	General Bond Retirement	Municipal Complex Center	Highland/ Metro/Zorn Sewer	Northwest Quadrant	S.O.M. Center Road Widening Project	Other Governmental Funds	Total Governmental Funds
Assets								
Equity in Pooled Cash and Cash Equivalents	\$1,648,166	\$313,411	\$4,518,850	\$1,094,314	\$129,346	\$765,082	\$2,239,854	\$10,709,023
<i>Total Assets</i>	<u>\$1,648,166</u>	<u>\$313,411</u>	<u>\$4,518,850</u>	<u>\$1,094,314</u>	<u>\$129,346</u>	<u>\$765,082</u>	<u>\$2,239,854</u>	<u>\$10,709,023</u>
Fund Balances								
Reserved:								
Reserved for Encumbrances	\$797,457	\$54,050	\$4,524	\$28,724	\$2,475	\$0	\$252,668	\$1,139,898
Unreserved:								
Undesignated (Deficit), Reported in:								
General Fund	850,709	0	0	0	0	0	0	850,709
Special Revenue Funds	0	0	0	0	0	0	1,246,331	1,246,331
Debt Service Fund	0	259,361	0	0	0	0	0	259,361
Capital Projects Funds	0	0	4,514,326	1,065,590	126,871	765,082	740,855	7,212,724
<i>Total Fund Balances</i>	<u>\$1,648,166</u>	<u>\$313,411</u>	<u>\$4,518,850</u>	<u>\$1,094,314</u>	<u>\$129,346</u>	<u>\$765,082</u>	<u>\$2,239,854</u>	<u>\$10,709,023</u>

See accompanying notes to the basic financial statements

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2006

Total Governmental Fund Balances	<u>\$10,709,023</u>
<i>Net Assets of Governmental Activities</i>	<u>\$10,709,023</u>

See accompanying notes to the basic financial statements

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	General Bond Retirement	Municipal Complex Center	Highland/ Metro/Zorn Sewer	Northwest Quadrant	S.O.M. Center Road Widening Project	Other Governmental Funds	Total Governmental Funds
Receipts								
Municipal Income Taxes	\$10,241,278	\$0	\$0	\$0	\$0	\$0	\$0	\$10,241,278
Property and Other Local Taxes	243,374	1,264,922	0	0	0	0	204,714	1,713,010
Special Assessments	0	117,053	0	0	0	0	79,717	196,770
Charges for Services	474,135	0	0	0	0	0	16,310	490,445
Fines, Licenses and Permits	255,731	0	0	0	0	0	0	255,731
Intergovernmental	522,005	33,025	0	0	0	0	429,140	984,170
Investment Income	187,285	0	0	0	0	0	7,437	194,722
Miscellaneous	412,562	0	0	0	0	0	39,624	452,186
<i>Total Receipts</i>	<u>12,336,370</u>	<u>1,415,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>776,942</u>	<u>14,528,312</u>
Disbursements								
Current:								
General Government	2,416,954	65,688	0	0	0	0	188,465	2,671,107
Security of Persons and Property	4,518,865	0	0	0	0	0	212,079	4,730,944
Public Health Services	20,261	0	0	0	0	0	1,310	21,571
Leisure Time Activities	1,167,150	0	0	0	0	0	9,310	1,176,460
Community Environment	477,783	0	0	0	0	0	513	478,296
Basic Utility Services	165,296	0	0	0	0	0	98,970	264,266
Transportation	2,257,645	0	0	0	0	0	4,386	2,262,031
Capital Outlay	1,087,287	0	0	806,101	3,004,965	1,522,426	546,615	6,967,394
Debt Service:								
Principal Retirement	0	6,511,461	0	0	0	0	0	6,511,461
Interest and Fiscal Charges	0	534,759	0	0	0	0	0	534,759
<i>Total Disbursements</i>	<u>12,111,241</u>	<u>7,111,908</u>	<u>0</u>	<u>806,101</u>	<u>3,004,965</u>	<u>1,522,426</u>	<u>1,061,648</u>	<u>25,618,289</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>225,129</u>	<u>(5,696,908)</u>	<u>0</u>	<u>(806,101)</u>	<u>(3,004,965)</u>	<u>(1,522,426)</u>	<u>(284,706)</u>	<u>(11,089,977)</u>
Other Financing Sources (Uses)								
Proceeds from Notes	0	3,000,000	0	0	0	0	650,000	3,650,000
Proceeds from Bonds	0	1,890,000	4,500,000	1,000,000	0	0	0	7,390,000
Proceeds from OPWC Loans	0	0	0	0	0	232,872	0	232,872
Proceeds from S.I.B. Loans	0	0	0	0	0	1,819,803	0	1,819,803
Premium on Debt Issue	0	27,363	1,868	415	0	0	0	29,646
Sale of Land	0	0	0	0	3,000,000	0	0	3,000,000
Sale of Capital Assets	175,409	0	0	0	0	0	0	175,409
Transfers In	0	195,503	0	900,000	0	200,000	370,000	1,665,503
Transfers Out	(1,470,000)	0	0	0	0	0	(195,503)	(1,665,503)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,294,591)</u>	<u>5,112,866</u>	<u>4,501,868</u>	<u>1,900,415</u>	<u>3,000,000</u>	<u>2,252,675</u>	<u>824,497</u>	<u>16,297,730</u>
<i>Net Change in Fund Balances</i>	<u>(1,069,462)</u>	<u>(584,042)</u>	<u>4,501,868</u>	<u>1,094,314</u>	<u>(4,965)</u>	<u>730,249</u>	<u>539,791</u>	<u>5,207,753</u>
<i>Fund Balances Beginning of Year (Restated)</i>	<u>2,717,628</u>	<u>897,453</u>	<u>16,982</u>	<u>0</u>	<u>134,311</u>	<u>34,833</u>	<u>1,700,063</u>	<u>5,501,270</u>
<i>Fund Balances End of Year</i>	<u>\$1,648,166</u>	<u>\$313,411</u>	<u>\$4,518,850</u>	<u>\$1,094,314</u>	<u>\$129,346</u>	<u>\$765,082</u>	<u>\$2,239,854</u>	<u>\$10,709,023</u>

See accompanying notes to the basic financial statements

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2006*

Net Change in Fund Balances - Total Governmental Funds	<u>\$5,207,753</u>
<i>Change in Net Assets of Governmental Activities</i>	<u>\$5,207,753</u>

See accompanying notes to the basic financial statements

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budgetary Basis
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Receipts				
Municipal Income Taxes	\$11,219,992	\$11,219,992	\$10,241,278	(\$978,714)
Property and Other Local Taxes	242,235	242,235	243,374	1,139
Charges for Services	420,830	420,830	474,135	53,305
Licenses, Permits, and Fees	274,755	274,755	255,731	(19,024)
Intergovernmental	304,494	304,494	522,005	217,511
Interest	75,000	75,000	187,285	112,285
Miscellaneous	231,100	231,100	412,562	181,462
<i>Total receipts</i>	<u>12,768,406</u>	<u>12,768,406</u>	<u>12,336,370</u>	<u>(432,036)</u>
Disbursements				
Current:				
General Government	2,752,456	2,752,456	2,604,549	147,907
Security of Persons and Property	4,870,141	4,870,141	4,784,495	85,646
Public Health Services	23,302	23,302	22,301	1,001
Leisure Time Activities	1,261,261	1,261,261	1,250,101	11,160
Community Environment	673,528	673,528	495,896	177,632
Basic Utility Services	255,547	255,547	234,680	20,867
Transportation	2,392,261	2,392,261	2,366,163	26,098
Capital Outlay	1,233,536	1,233,536	1,150,513	83,023
<i>Total Disbursements</i>	<u>13,462,032</u>	<u>13,462,032</u>	<u>12,908,698</u>	<u>553,334</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(693,626)</u>	<u>(693,626)</u>	<u>(572,328)</u>	<u>121,298</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	50,000	50,000	175,409	125,409
Transfers Out	(1,310,000)	(1,410,000)	(1,470,000)	(60,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,260,000)</u>	<u>(1,360,000)</u>	<u>(1,294,591)</u>	<u>65,409</u>
<i>Net Change in Fund Balance</i>	<u>(1,953,626)</u>	<u>(2,053,626)</u>	<u>(1,866,919)</u>	<u>186,707</u>
<i>Fund Balance Beginning of Year (Restated)</i>	<u>1,888,976</u>	<u>1,888,976</u>	<u>1,888,976</u>	<u>0</u>
Prior Year Encumbrances Appropriated	828,652	828,652	828,652	0
<i>Fund Balance End of Year</i>	<u>\$764,002</u>	<u>\$664,002</u>	<u>\$850,709</u>	<u>\$186,707</u>

See accompanying notes to the basic financial statements

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$109,030</u>
<i>Total Assets</i>	<u><u>\$109,030</u></u>
Net Assets	
Unrestricted	<u><u>\$109,030</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1. DESCRIPTION OF THE 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.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of roads, rubbish collection, sanitary sewer/storm sewer facilities, building, zoning, and fire and police protection.

B. Component Units

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 that are fiscally dependent on the Village in that the Village approves their 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 had no component units.

C. Jointly Governed Organization

The Village participates in the Northeast Ohio Public Energy Council (NOPEC), a jointly governed organization. Note 14 to the financial statements provides additional information for this entity.

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. Following are the more significant of the Village's accounting policies.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash and investment balances of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each 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. 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 function 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. Nonmajor 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. Funds are used to segregate resources that are restricted as to use. The Village's funds are classified as either governmental or fiduciary.

GOVERNMENTAL FUNDS

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the Village's major governmental funds:

General Fund – The General Fund is the general operating fund. It is used to account 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 expanded or transferred accordingly to the general laws of Ohio.

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

GOVERNMENTAL FUNDS (Continued)

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

Municipal Complex Center Fund – This fund receives the proceeds from public debt and transfers from the General fund to finance the construction of various buildings that make up the Municipal Center.

Highland Road, Metro Park Drive, and Zorn Lane Sewer Construction Project – This fund receives the proceeds from public debt and transfers from the General fund to finance the construction of the Highland Road, Metro Park Drive, and Zorn Lane sanitary sewers.

Northwest Quadrant Fund – This fund receives the proceeds from the sale of land and public debt to finance the economic development in the Northwest Quadrant.

S.O.M. Center Road Widening Project – This fund receives grants, loans, and transfers from the General Fund which are used to account for the acquisition of property, widening, and signalization of S.O.M. Center Road and White Road in the Village.

Other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

Fiduciary funds include 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 governmental entities and are therefore not available to support the Village's own programs. The Village's does not have any trust funds. Agency funds are custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village maintains two agency funds, the Performance Bond and Bail Bond funds. The Performance Bond fund is used to account for the collection and distribution of contractor's performance bonds. The Bail Bond fund receives 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. 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.

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.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted and appropriated annually. 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.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the 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 certificated 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

Village records identify the purchase of specific investments by specific funds.

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village 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, respectively.

During 2006, the Village invested in U.S. Government Securities, STAR Ohio, a savings bond, an overnight repurchase agreement, and stock. All investments 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

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments (Continued)

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, 2006.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$187,285 which includes \$165,055 assigned from other Village funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village has no restricted assets.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories 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. 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.

J. 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 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. 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 FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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. Net assets restricted for other purposes include resources restricted for street construction maintenance and repair, the civic center, and infrastructure improvements.

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.

M. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

N. 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. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Village into three categories.

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

Inactive deposits are public deposits that 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.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 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. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 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, the Village had a book balance of \$761,407. Of the Village's bank balance of \$835,217, \$635,217 was exposed to custodial credit risk because those deposits were uninsured and collateralize with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits (Continued)

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, 2006, the Village had the following investments:

Investment Type	Carrying Value	Investment Maturity
StarOhio	\$4,299,309	35 days
FMDN	3,901,606	117 days
FMDN	985,260	45 days
Savings Bond	1,000	12 years
Overnight Repurchase	339,100	1 day
Anthem Stock	530,371	1 day
Total	\$10,056,646	

The weighted average maturity is 65 days.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rate changes and according to state law, the Village's investment policy limits investment portfolio maturities to five year or less.

Credit Risk: The Village's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned Star Ohio an AAAM money market rating. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires the STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the Village's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Village.

Concentration of Risk: The Village places no limit on the amount that may be invested in any one issuer. The Village's investments in Star Ohio, FMDN, Savings Bond, Overnight Repurchase Agreements, and stock represent 42.75%, 48.59%, 0.01%, 3.37%, and 5.28% respectively.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 4. COMPLIANCE

Amending Certificates of Estimated Resources

Contrary to Ohio Revised Code Section 5705.36, the Village did not obtain reduced amended Certificates of Estimated Resources for the following significant variances which would have reduced the available resources below the current level of appropriations as of October 31, 2006 and December 31, 2006:

<u>Fund Description</u>	<u>October 31, 2006</u> <u>Variance</u>	<u>December 31, 2006</u> <u>Variance</u>
General Fund	(\$2,494,304)	
Special Revenue Funds:		
Civic Center Fund	(799,901)	
Infrastructure Improvement	(346,874)	(\$246,874)
Capital Projects Funds:		
Capital Improvement	(1,850,678)	(1,841,437)
Parkview Ballfields	(100,000)	(100,000)
Green Corridor	(100,000)	(100,000)
Upper 40 Improvement	(1,182,970)	(1,102,480)
SOM Center Road Widening Project	(4,798,254)	
Agency Fund:		
Contractors' Retainage	(221,704)	(221,307)

NOTE 5. 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 – Budgetary Basis presented for the General fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$797,457 for the General fund.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 6. PROPERTY TAX

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 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 alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2006, was \$7.30 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$97,301,710
Commercial/Industrial/Mineral	57,464,700
Public Utilities	4,035,800
Tangible Personal Property	
General	21,562,730
Total Assessed Value	<u><u>\$180,364,940</u></u>

NOTE 7. LOCAL INCOME TAX

The Village levies a 1.5 percent income tax whose proceeds are placed into the General fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another municipality or 100 percent of the 1.5 percent tax rate on taxable income.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 7. LOCAL INCOME TAX (Continued)

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

NOTE 8. NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2006, follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
<u>Governmental Activities</u>					
Bond Anticipation Notes – 2005 Issue (\$4,000,00)	3.75%	\$4,000,000	\$0	\$4,000,000	\$0
Bond Anticipation Notes – 2006 Issue (\$3,000,000)	6.00%	0	3,000,000	0	3,000,000
Bond Anticipation Notes – 2006 Issue (\$650,000)	6.00%	0	650,000	0	650,000
Total		<u>\$4,000,000</u>	<u>\$3,650,000</u>	<u>\$4,000,000</u>	<u>\$3,650,000</u>

The bond anticipation notes are backed by the full faith and credit of the Village and mature within one year.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 9. DEBT

The Village's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>						
Fire Station G.O. Bonds - 1996 Issue (\$3,000,000)	4.48%	\$1,990,000	\$0	\$1,990,000	\$0	0
Fire Station G.O. Refunding Bonds - 2006 Issue (\$1,890,000)	variable	0	1,890,000	0	1,890,000	150,000
Police Station G.O. Bonds- 2006 Issue (\$4,500,000)	variable	0	4,500,000	0	4,500,000	125,000
Highland Road Underpass G.O. Bonds- 2006 Issue (\$1,000,000)	variable	0	1,000,000	0	1,000,000	25,000
OPWC Loans - 1996 Issue (\$299,329)	0%	164,631	0	14,966	149,665	14,966
OPWC Loans - 2003 Issue (\$902,368)	0%	636,523	232,872	0	869,395	0
Ohio EPA Supplement Loans - 1996 Issue (\$253,846)	4.04% & 4.16%	193,221	0	15,050	178,171	15,676
State Infrastructure Bank Loan - 1998 Issue (\$3,445,275)	4.00%	2,807,034	0	183,245	2,623,789	192,992
State Infrastructure Bank Loan - 2004 Issue (\$3,990,000)	3.00%	2,170,197	1,819,803	308,200	3,681,800	413,711
Total		<u>\$7,933,085</u>	<u>\$9,442,675</u>	<u>\$2,511,461</u>	<u>\$14,786,675</u>	<u>\$908,104</u>

The General Obligation Bonds are supported by the full faith and credit of the Village and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments. The \$3,000,000 in General Obligation Bonds issued in 1996 were for the construction of a fire station. The Village paid the remaining principal on these bonds in 2006 when the \$1,890,000 Refunding General Obligation Bonds were issued. The \$4,500,000 General Obligation Bonds were issued to fund the construction of a new police station. The \$1,000,000 General Obligation Bonds were issued to fund the construction of an underpass on Highland Road. The Bond Anticipation Notes were issued for the acquisition of real estate.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 9. DEBT (Continued)

The Ohio EPA Supplement Loan relates to a water main replacement for the Worton Park Sewer Improvement Project.

The Ohio Public Works Commission (Issue II) Loans are interest free loans. The \$149,665 in principal relates to the Worton Park Sanitary Sewer System construction. The loan will be repaid over twenty years at 0% interest. The \$869,395 in principal relates to the S.O.M. Center Road Widening Project. The total loan amount for the S.O.M. Center Road Widening Project is projected to be \$902,368. As of December 31, 2006, only \$869,395 had been received by the Village. The loan will be repaid over 20 years at 0% interest. Although the Village has not received the full loan of \$902,368, they are required to begin payment on the full loan on January 1, 2008.

The State Infrastructure Bank (S.I.B.) Loans (economic development division of the Ohio Department of Transportation) are 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 (T.I.F.) agreed to between the Progressive Casualty Insurance Company and the Village in 1999. The Village has assigned the future proceeds of the T.I.F. to the Ohio Department of Transportation. The first S.I.B. Loan was issued in 1998 and is being repaid over seventeen years at an interest rate of 4%. The second S.I.B. Loan was issued in 2004 and is being repaid over nine years at an interest rate of 3%.

The following is a summary of the Village's future annual debt service requirements:

Year	G.O. Bonds (Including Refunding Bonds)		OPWC Loans		Ohio EPA Loans		S.I.B. Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$300,000	\$369,500	\$60,084	\$0	\$15,676	\$7,176	\$606,703	\$236,182
2008	365,000	283,600	60,084	0	16,327	6,523	629,473	213,902
2009	370,000	269,000	60,084	0	17,006	5,844	653,166	190,723
2010	390,000	254,200	60,084	0	17,714	5,137	677,824	166,608
2011	400,000	238,600	60,084	0	18,451	4,400	703,488	141,514
2012-2016	2,250,000	981,565	300,427	0	92,997	9,832	2,875,013	317,515
2017-2021	1,475,000	529,828	225,592	0	0	0	159,922	3,998
2022-2026	1,840,000	227,800	225,594	0	0	0	0	0
Total	<u>\$7,390,000</u>	<u>\$3,154,093</u>	<u>\$1,052,033</u>	<u>\$0</u>	<u>\$178,171</u>	<u>\$38,912</u>	<u>\$6,305,589</u>	<u>\$1,270,442</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 Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$8,211,730 and an unvoted debt margin of \$6,583,483.

The Village has defeased certain debt issues by placing cash with a trustee in an amount sufficient to pay all debt principal and interest payments when they come due. The principal amount of the defeased debt outstanding at December 31, 2006 was \$1,990,000. The cash and investments held by the trustee are not included in the Village's assets nor are the outstanding bonds included above.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 10. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional 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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The Village's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$293,887, \$290,749, and \$255,765 respectively; 100 percent has been contributed for 2006, 2005, and 2004. Contributions to the member-directed plan for 2006 were \$2,670 made by the Village and \$1,754 made by the plan members.

B. Ohio Police and Fire Pension Fund

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 the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 10. DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund (Continued)

Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers and 24 for firefighters. Contributions are authorized by State statute. The Village's contributions to the Fund for police and firefighters were \$143,229 and \$118,687 for the year ended December 31, 2006, \$135,168 and \$109,974 for the year ended 2005, and \$123,872 and \$106,274 for the year ended 2004. The full amount has been contributed for 2006, 2005 and 2004.

NOTE 11. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase between 0.50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$143,749. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 11. POSTEMPLOYMENT BENEFITS (Continued)

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No.12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2006 that were used to fund postemployment benefits were \$94,470 and for police and \$56,604 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005, was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

NOTE 12. 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 2006, the Village contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Selective Insurance	Commercial Property	\$16,264,532
	General Liability	2,000,000
	Commercial Crime	2,000,000
	Inland Marine	347,850
	Automobile	1,000,000
	Police Liability	1,000,000
	Errors and Omissions	2,000,000
	Public Officials	1,000,000
	Fidelity and Deposit	1,000,000
	Umbrellas Coverage	5,000,000

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.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

NOTE 12. RISK MANAGEMENT (Continued)

The Village pays the State Workers' Compensation System a premium based on a rate of \$3.49 per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Village provides all of its full-time employees and two of its part-time employees with hospitalization and dental insurance. The former is provided through Wellpoint Insurance Company (formerly Anthem) and the latter is provided through Guardian Insurance Company.

NOTE 13. CHANGE IN ACCOUNTING

In the prior year, the Sanitary Sewer fund was incorrectly classified as a major special revenue fund rather than a special cost center within the General fund. This fund is supported 100% by General Fund transfers. It is correctly included with the General fund for the year ending December 31, 2006. As a result, the General fund beginning balance was restated from \$1,808,623 to \$2,717,628.

NOTE 14. JOINTLY GOVERNED ORGANIZATION

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 and gas. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity and gas 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 and gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2006. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 175 South Main Street, Akron, Ohio 44308.

NOTE 15. INTERFUND TRANSFERS

During 2006, the Village made the following transfers:

Transfers from the General Fund to:	
Highland/Metro/Zorn Sewer Capital Project Fund	\$900,000
S.O.M. Center Road Widening Project Fund	200,000
Other Governmental Funds	370,000
Total Transfers from the General Fund	<u>\$1,470,000</u>
Transfers from the Upper 40 Capital Projects Fund to:	
General Bond Retirement Fund	<u>\$195,503</u>
Total Transfers from the Upper 40 Capital Projects Fund	<u>\$195,503</u>

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)

NOTE 15. INTERFUND TRANSFERS (Continued)

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 the Upper 40 Capital Projects Fund represent remaining debt proceeds for the Upper 40 project.

NOTE 16. CONSTRUCTION AND CONTRACTUAL COMMITMENTS

As of December 31, 2006, the Village had a remaining contractual commitment in the amount of \$2,209,380 with Camino Construction for the Sanitary Sewer Base Project.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	78322	20.205	<u>\$1,455,842</u>
Total Federal Assistance			<u>\$1,455,842</u>

The accompanying notes to this schedule are an integral part of this schedule.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.



Mary Taylor, CPA

Auditor of State

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

Village of Mayfield
Cuyahoga County
6622 Wilson Mills Road
Mayfield Village, Ohio 44143

To the Village Council:

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 (the Village), as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 10, 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated October 10, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We also noted certain noncompliance not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 10, 2007.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, Village Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 10, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO IT'S MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Village of Mayfield
Cuyahoga County
6622 Wilson Mills Road
Mayfield Village, Ohio 44143

To the Village Council:

Compliance

We have audited the compliance of the Village of Mayfield, Cuyahoga County, Ohio (the Village), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Mayfield complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

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Village of Mayfield
Cuyahoga County

Independent Accountants' Report on Compliance with Requirements Applicable to the Major
Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133
Page 2

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to administer a federal program such that there is more than a remote likelihood that the Village's internal control will not prevent or detect more than inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Village's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, Village Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 10, 2007

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #20.205 - Highway Planning and Construction Grant
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2006-001

CERTIFICATION OF AVAILABLE RESOURCES – MATERIAL NONCOMPLIANCE/SIGNIFICANT DEFICIENCY

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request, from the budget commission, increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Ohio Rev. Code Section 5705.36(A)(3) provides that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code Section 5705.36(A)(4) provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriation.

Ohio Rev. Code Section 5705.39 provides, in part, that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

Contrary to Ohio Rev. Code Section 5705.36, the Village did not obtain an amended Certificates of Estimated Resources for the reduction of estimated receipts for the following significant variances which would have reduced the available resources below the current level of appropriations as of October 31, 2006 and December 31, 2006:

<u>Fund Description</u>	<u>Estimated Receipts per the Certificate of Estimated Resources as of October 31, 2006</u>	<u>Actual Receipts as of October 31, 2006</u>	<u>Variance</u>
General Fund	\$12,818,406	\$10,324,102	(\$2,494,304)
Special Revenue Funds:			
Civic Center Fund	806,396	6,495	(799,901)
Infrastructure Improvement	355,745	8,871	(346,874)
Capital Projects Funds:			
Capital Improvement	2,538,351	687,673	(1,850,678)
Parkview Ballfields	100,000	0	(100,000)
Green Corridor	100,000	0	(100,000)
Upper 40 Improvement	1,359,655	176,685	(1,182,970)
SOM Center Road Widening Project	6,850,929	2,052,675	(4,798,254)
Agency Fund:			
Contractors' Retainage	267,000	45,296	(221,704)

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2006-001 (Continued)

CERTIFICATION OF AVAILABLE RESOURCES (Continued)

<u>Fund Description</u>	<u>Estimated Receipts per the Certificate of Estimated Resources as of December 31, 2006</u>	<u>Actual Receipts as of December 31, 2006</u>	<u>Variance</u>
Special Revenue Fund:			
Infrastructure Improvement	\$355,745	\$108,871	(\$246,874)
Capital Projects Funds:			
Capital Improvement	2,538,351	696,914	(1,841,437)
Parkview Ballfields	100,000	0	(100,000)
Green Corridor	100,000	0	(100,000)
Upper 40 Improvement	1,359,655	257,175	(1,102,480)
Agency Fund:			
Contractor's Retainage	267,000	45,693	(221,307)

In addition to the significant variances noted above, we noted several insignificant variances that required an amended certificate of estimated resources as of October 31, 2006 and December 31, 2006.

We recommend the Village compare estimated receipts to actual receipts on a monthly basis and obtain an amended certificate of estimated resources as needed.

MANAGEMENT'S RESPONSE

The Village will attempt to obtain amended certificates of estimated resources to eliminate this situation in the future.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

VILLAGE OF MAYFIELD
 CUYAHOGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A -133 § .315 (b)
 DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Negative Cash Fund Balances	Yes	
2005-002	Certification of Available Resources	No	Re-issued as Finding Number 2006-001



Mary Taylor, CPA
Auditor of State

VILLAGE OF MAYFIELD

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 29, 2007