



**Auditor of State
Betty Montgomery**

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village Council
Village of Mayfield
Cuyahoga County
6621 Wilson Mills Road
Mayfield Village, Ohio 44143

To the Village Council:

We have audited the accompanying financial statements of the Village of Mayfield, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Mayfield, Cuyahoga County, Ohio, as of December 31, 2002, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Mayfield
Cuyahoga County
Independent Accountants' Report

The accompanying federal awards expenditures schedule is presented for additional analysis as 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 accompanying financial statements. We subjected this information to the auditing procedures applied in the audit of the accompanying financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the accompanying financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 3, 2003

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local taxes	\$7,864,477	\$154,315	\$644,676	\$46,564	\$8,710,032
Special Assessments	0	90,017	137,293	0	227,310
Intergovernmental Revenue	343,861	166,848	114,529	244,955	870,193
Charges for Services	443,728	6,669	0	0	450,397
Fines, Forfeitures, Licenses, and Permits	194,907	3,539	0	4,241	202,687
Earnings on Investments	85,549	2,866	0	0	88,415
Miscellaneous	72,180	12,712	0	3,304	88,196
Total Cash Receipts	9,004,702	436,966	896,498	299,064	10,637,230
Cash Disbursements:					
Current:					
Security of Persons and Property	3,513,600	292,031	0	0	3,805,631
Public Health Services	11,078	0	0	0	11,078
Leisure Time Activities	739,110	2,500	0	0	741,610
Community Environment	266,003	0	0	0	266,003
Basic Utility Services	174,738	23,365	0	136,989	335,092
Transportation	1,106,618	33,321	0	2,010,138	3,150,077
General Government	1,588,744	29,584	4,750	4,418	1,627,496
Debt Service:					
Principal Payments	0	0	5,752,654	0	5,752,654
Interest Payments	0	0	437,864	0	437,864
Capital Outlay	1,093,800	47,055	0	0	1,140,855
Total Cash Disbursements	8,493,691	427,856	6,195,268	2,151,545	17,268,360
Total Receipts Over/(Under) Disbursements	511,011	9,110	(5,298,770)	(1,852,481)	(6,631,130)
Other Financing Receipts/(Disbursements):					
Sale of Bonds or Notes	0	0	4,508,235	750,261	5,258,496
Sale of Fixed Assets	35,560	0	0	0	35,560
Other Sources	200,100	14,050	0	0	214,150
Other Uses	(9,902)	(14,840)	0	0	(24,742)
Transfers-In	0	160,000	1,300,000	500,000	1,960,000
Transfers-Out	(1,360,000)	0	(300,000)	(300,000)	(1,960,000)
Total Other Financing Receipts/(Disbursements)	(1,134,242)	159,210	5,508,235	950,261	5,483,464
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(623,231)	168,320	209,465	(902,220)	(1,147,666)
Fund Cash Balances, January 1, 2002	1,585,476	699,549	181,983	1,464,372	3,931,380
Fund Cash Balances, December 31, 2002	\$962,245	\$867,869	\$391,448	\$562,152	2,783,714
Reserves for Encumbrances, December 31, 2002	\$875,463	\$54,049	\$7,733	\$328,043	\$1,265,288

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Agency Fund
Operating Cash Receipts:	
Charges for Services	\$ 7,222
Miscellaneous	34
	7,256
Total Operating Cash Receipts	7,256
Operating Cash Disbursements:	
Contractual Services	5,598
Supplies and Materials	25
	5,623
Total Operating Cash Disbursements	5,623
Operating Income/(Loss)	1,633
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	104,377
Total Non-Operating Cash Receipts	104,377
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	77,582
Total Non-Operating Cash Disbursements	77,582
Net Receipts Over/(Under) Disbursements	28,428
Fund Cash Balances, January 1, 2002	43,123
Fund Cash Balances, December 31, 2002	\$ 71,551
Reserve for Encumbrances, December 31, 2002	\$ 52,799

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets and are included in fund cash balances. 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 disbursements, respectively.

The demand deposits, money market, savings bond and sweep account are valued at cost. The investment in STAR Ohio (the State Treasurer's Investment Pool) is valued at the amount reported by the State Treasurer.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. 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.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

Street Construction Maintenance and Repair Fund - This fund receives gasoline and Motor vehicle tax money and transfers for constructing, maintaining and repairing Village streets.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

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

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

S.O.M. Center Road Widening Project – This fund receives 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.

5. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Performance Bond Fund – This fund is used to account for the collection and distribution of contractor's performance bonds.

Bail Bond Fund – This fund receives bail bond money which is remitted to the Lyndhurst Municipal Court.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2002
Demand deposits	\$338,057
Money Market	\$87,252
Total Deposits	<u>\$425,309</u>
STAR Ohio	2,178,956
Sweep Accounts - Repurchase Agreements	250,000
Savings Bond	1,000
Total investments	<u>2,429,956</u>
Total deposits and investments	<u><u>\$2,855,265</u></u>

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: The sweep account is held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records verifying the Village as owner of these securities. The investment in STAR Ohio is not evidenced by securities that exist in physical or book-entry form. The savings bond is maintained in the Village's safe.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$9,019,517	\$9,240,362	\$220,845
Special Revenue	450,197	611,016	160,819
Debt Service	6,902,323	6,704,733	(197,590)
Capital Projects	5,662,149	1,549,325	(4,112,824)
Fiduciary	51,500	48,135	(3,365)
Total	\$22,085,686	\$18,153,571	(\$3,932,115)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$10,386,391	\$10,729,154	(\$342,763)
Special Revenue	1,017,364	422,696	594,668
Debt Service	6,800,000	6,503,001	296,999
Capital Projects	6,748,234	2,779,588	3,968,646
Fiduciary	78,493	88,420	(9,927)
Total	\$25,030,482	\$20,522,859	\$4,507,623

The Village did not apply budgeting procedures to the Bail Bond, 911, and Commission on Aging Agency Funds, which are not required or included in the above fiduciary fund budgeted receipts or appropriation authority amounts.

Contrary to Ohio Revised Code Section 5705.41 (D), the Village did not develop encumber in line with this section.

Contrary to Ohio Revised Code Sections 5705.41(B) & (D), budgetary expenditures and encumbrances exceeded the appropriation authority at the legal level of control (fund level) at the fiscal year ended 2002 in the General Fund in the amount of \$342,763 and the Agency Contractors Retainage Fund in the amount of \$9,927. Also, during our mid-year testing as of September 30, 2002, the Debt Service Bond Retirement Fund had expenditures and encumbrance exceeding appropriations in the amount of \$284,212.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Revised Code Sections 5705.36 and 5705.39, appropriations exceeded estimated revenues as of September 30, 2002 in the amount of \$283,018 in the Capital Projects Municipal Complex Center Fund. This was corrected as of December 31, 2002.

Contrary to Ohio Rev. Code Section 5705.41(D), the Village had encumbered funds which resulted in negative fund balances throughout the year and at year end. During our review we noted that the General, Special Revenue Community Room, Debt Service General Bond Retirement and North Common T.I.F., Capital Projects SOM Center Road Widening, Agency OBBC Permit Fee and Contractors Retainage funds had negative unencumbered fund balances throughout the year ranging \$254 to \$648,820. In addition, the Special Revenue Community Room, Capital Projects SOM Center Road Widening and Agency Contractors Retainage funds had negative unencumbered fund balances at year end in the amounts of \$1,339, \$27,236 and \$4,683 respectively.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

In the latter case, the Village allows a credit of 100% of the tax paid to another municipality, not to exceed the amount owed. The Village has contracted with the Regional Income Tax Agency (RITA) for the collection of income taxes. Employers within the Village are required to withhold income tax on employee earnings and remit the tax at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file an annual return.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

Supplement Loans	\$240,815	4.04% & 4.16%
Ohio Public Works Loan(Issue II)	209,530	0.00%
General Obligation Bonds	2,370,000	4.48%
General Obligation Notes	4,500,000	6%
State Infrastructure Bank Loan	2,331,121	4.00%
Total	<u>\$9,651,466</u>	

The Ohio Water Development Authority (OWDA)/EPA Loans and Ohio EPA Supplement Loan relate to water main replacements for the Worton Park Sewer Improvement Project.

The Ohio Public Works Commission (Issue II) Loan is an interest free loan for the Worton Park Sanitary System construction.

The General Obligation Bonds were issued 1996 for the construction of a fire station. The principal issued was \$3,000,000.

The State Infrastructure Bank Loan (economic development wing of the Ohio Development of Transportation) was issued in 1998. This debt is 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 Bond Anticipation Note was issued for the acquisition of real estate. The Bond Anticipation Note will mature in September 2003. The Village will pay \$78,750 in interest.

The Progressive Parkview Pool Loan is a loan from Progressive Casualty Insurance Company to the village for the express purpose of construction of Parkview Pool. The interest rate on the loan is tied to the five-year Treasury note interest rate. The loan was part of the overall development agreement between Progressive Casualty Insurance Company and the Village. The loan has to be repaid within five years. The loan originated in 1998. The Village paid the remaining principal and interest due in 2002.

Amortization of the above debt, including interest, is scheduled as follows:

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

6. DEBT (Continued)

	OPWC Loan	Fire Station General Obligation Bonds	WPSIP & Supplmental	State Infrastructure Bank Loan
Year ending December 31:				
2003	\$14,967	\$241,453	\$22,851	\$225,096
2004	14,967	241,112	22,851	225,096
2005	14,967	245,425	22,851	225,096
2006	14,967	244,148	22,851	225,096
2007	14,967	242,498	22,851	225,096
2008 - 2012	74,832	1,219,445	114,255	1,125,481
2013 - 2018	59,863	972,981	79,978	1,350,577
Total	<u>\$209,530</u>	<u>\$3,407,062</u>	<u>\$308,488</u>	<u>\$3,601,538</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participants and 24% of fire participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002. The Village has paid all contributions required through December 31, 2002.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village also provides health insurance and dental coverage to full-time employees through a private carrier.

9. JOINTLY GOVERNED ORGANIZATIONS

A. The Mayfield Union Cemetery is a jointly governed organization among three local communities (Village of Mayfield, Highland Heights and Mayfield Heights). The jointly governed organization was formed based on the boundaries in relation to the cemetery. Each of the communities contributes a nominal fee for the maintenance of the cemetery. The Village of Mayfield assumes the daily accounting and reporting of the cemetery finances. The Cemetery Board consists of three Board members; one council member appointed from each of the three communities. Financial information can be obtained by contacting the Director of Finance at the Village of Mayfield, 6621 Wilson Mills Road, Mayfield Village, Ohio 44143.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

9. JOINTLY GOVERNED ORGANIZATIONS (Continued)

- B.** The Eastern Suburban Regional Council of Governments (ESRCOG) was formed in 1972 to foster cooperation between member municipalities through sharing of facilities for mutual benefit. The governing body of ESRCOG is a council comprised of one representative from each of the six participating municipalities. The Council operates according to a written agreement establishing ESRCOG pursuant to Ohio Revised Code Chapter 167.

The Council adopts a budget for ESRCOG annually. Each member municipality's degree of control is limited to its representation on the Council. In 2002, the Village contributed \$43,000 which includes an annual fee of \$12,000. That represents 16.7 percent of total member contributions.

The Council established one subsidiary organization, the Suburban Police Anti-Crime Network (SPAN) which provides for the mutual interchange and sharing of police personnel and police equipment to be utilized by all participating members.

- C.** The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 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 at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

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 2002. Financial information can be obtained by contacting Dan DiLiberto, Board Chairman, 1615 Clark Avenue, Cleveland, Ohio 44109.

10. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

11. SUBSEQUENT EVENTS

In April of 2003 the Village acquired \$650,000 of real estate in which \$200,000 will be financed from the Village and the remainder from the rollover of a Bond Anticipation Note.

VILLAGE OF MAYFIELD
 CUYAHOGA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 FOR THE YEAR ENDED DECEMBER 31, 2002

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Disbursements</u>
<u>U.S. DEPARTMENT OF HIGHWAY PLANNING AND CONSTRUCTION</u>			
<i>Passed through the Ohio Department of Transportation</i>			
Highway Planning and Construction Grant	SOM Center Road-20334	20.205	<u>\$1,208,703</u>
Total U.S. Department of Highway Planning and Construction			<u>1,208,703</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Direct Program:</i>			
COPS Fast	2002-SH-WX-0610	16.710	<u>63,345</u>
Total U.S. Department of Justice			<u>63,345</u>
Total Federal Assistance			<u><u>\$1,272,048</u></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 FISCAL YEAR ENDED DECEMBER 31, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the activity of the Village's federal awards programs. The schedule has been prepared on the cash basis of accounting.

CFDA – Catalog of Federal Domestic Assistance

N/A – Not applicable



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village Council
Mayfield Village
Cuyahoga County
6621 Wilson Mills Road
Mayfield Village, Ohio 44143

We have audited the financial statements of the Village of Mayfield, Cuyahoga County, Ohio (the Village) as of and for the year ended December 31, 2002, and have issued our report thereon dated May 3, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-003.

We also noted other immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 3, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 3, 2003.

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Village of Mayfield
Cuyahoga County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*

This report is intended solely for the information and use of finance committee, management, the Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 3, 2003



Auditor of State Betty Montgomery

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

Village Council
Village of Mayfield
Cuyahoga County
6621 Wilson Mills Road
Mayfield Village, Ohio 44143

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 are applicable to its major federal program for the year ended December 31, 2002. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Village's management. 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

The management of Village is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Village of Mayfield
Cuyahoga County
Independent Accountants' Report on Compliance With Requirements Applicable
to Its Major Federal Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the finance committee, management, the Village Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 3, 2003

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
DECEMBER 31, 2002**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

1. SUMMARY OF AUDITORS RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions 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 Program (list):	Highway Planning and Construction Grant/CFDA #20.205
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
DECEMBER 31, 2002

SCHEDULE OF FINDINGS (Continued)
OMB CIRCULAR A -133 § .505

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

Finding Number	2002-001
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EXPENDITURES AND ENCUMBRANCES IN EXCESS OF APPROPRIATIONS

Ohio Revised Code Sections 5705.41(B) & (D), state, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated. As of December 31, 2002, the General Fund had expenditures plus encumbrance in excess of appropriations in the amount of \$342,763 and the Agency Contractors Retainage Fund in the amount of \$9,927. Also, during our mid-year testing as of September 30, 2002, the Debt Service Bond Retirement Fund had expenditures and encumbrance in excess of appropriations in the amount of \$284,212.

We recommend that the Village compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, to ensure compliance with the above requirements. This comparison should be compared on a monthly basis at a minimum.

Finding Number	2002-002
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APPROPRIATIONS EXCEEDING ESTIMATED RESOURCES

Ohio Revised Code Sections 5705.36 and 5705.39, state, in part that appropriations cannot exceed estimated revenues. During our mid-year testing as of September 30, 2002, the Capital Projects Municipal Complex Center Fund had appropriations in excess of estimated resources in the amount of \$283,018. This was corrected as of December 31, 2002.

We recommend that the Village monitor and make amendments as necessary to the appropriations and ensure they do not exceed the certificate of estimated resources. Also, we recommend that the Village monitor the amount of actual revenues received and modify the certificate of estimated resources as needed.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
DECEMBER 31, 2002**

**SCHEDULE OF FINDINGS (Continued)
OMB CIRCULAR A -133 § .505**

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

Finding Number	2002-003
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ENCUMBERING OF FUNDS

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditure lacking prior certification should be void.

This section also provides two exceptions to the above requirements:

- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid; and
- If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council.

During our testing of the 2002 non-payroll expenditures we noted 19 of the 60 transactions tested where a purchase order was improperly issued at the time of commitment or expenditure.

Also, during our review of the month end financial reports, we noted that the General, Special Revenue Community Room, Debt Service General Bond Retirement and North Commons T.I.F., Capital Projects SOM Center Road Widening, Agency OBBC Permit Fee and Contractors Retainage funds had negative unencumbered fund balances throughout the year ranging from \$254 to \$648,820. In addition, we noted the Special Revenue Community Room, Capital Projects SOM Center Road Widening and Agency Contractors Retainage funds had negative unencumbered fund balances at year end in the amounts of \$1,339, \$27,236 and \$4,683 respectively.

These weaknesses could allow expenditures to exceed the total of the available fund balance and the current year revenues. We recommend the Director of Finance certify that funds are available for expenditures by signing the fiscal certificate affixed to the purchase orders prior to entering into a commitment for goods or services.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



**Auditor of State
Betty Montgomery**

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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
JULY 3, 2003**