



Dave Yost • Auditor of State



**CITY OF MAYFIELD HEIGHTS  
CUYAHOGA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

City of Mayfield Heights  
Cuyahoga County  
6154 Mayfield Road  
Mayfield Heights, Ohio 44124

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the City of Mayfield Heights, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the City of Mayfield Heights, Cuyahoga County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the City adopted the provisions of Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the December 31, 2010 Net Assets in Governmental Activities, Assets and Liabilities in the Agency Funds and Fund Balance in the General Fund and Other Governmental Funds due to a change in fund structure.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the City'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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

September 28, 2012

# City of Mayfield Heights, Ohio

## Management's Discussion and Analysis (Unaudited) For the Year Ended December 31, 2011

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The management's discussion and analysis of the City of Mayfield Heights' (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and the notes to those financial statements to enhance their understanding of the City's financial performance.

### Financial Highlights

Total assets of the City decreased from \$60,802,005 to \$59,762,783, a total decrease of \$1,039,222. This can be attributed to depreciable capital assets decreasing coupled with increases in intergovernmental receivable and income taxes receivable.

Total liabilities of the City decreased from \$14,279,873 to \$13,394,340, a total decrease of \$885,533. This can most significantly be attributed to a decrease in long-term liabilities as the City continues to pay down its debt service obligations.

Total net assets slightly decreased from \$46,522,132 to \$46,368,443, a total decrease of \$153,689. This is a decrease of 0.33 percent. See the above explanations on total assets and total liabilities as to explain why net assets decreased.

### Using This Annual Financial Report

This management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These statements are prepared and organized so the reader can understand the City of Mayfield Heights as a financial whole, or as an entire operating entity. The statements provide a detailed look at the City's specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

# City of Mayfield Heights, Ohio

## Management's Discussion and Analysis (Unaudited) For the Year Ended December 31, 2011

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### Reporting the City of Mayfield Heights as a Whole

#### *Statement of Net Assets and the Statement of Activities*

The Statement of Net Assets presents information, excluding Fiduciary Funds, on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, an increase or decrease in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, in evaluating the overall position of the City, non-financial factors such as the City's tax base, change in tax laws, and the condition of capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the accrual basis of accounting similar to the accounting method used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets
- Program Revenue and Expenses
- General Revenues
- Net Assets Beginning of Year and End of Year

### Reporting the City of Mayfield Heights' Most Significant Funds

#### *Fund Financial Statements*

The presentation of the City's major funds begins on page 13. The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements and identify certain services and activities provided to our residents. However, these fund financial statements focus on the City's most significant funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The City's major fund is the General Fund.

# City of Mayfield Heights, Ohio

## Management's Discussion and Analysis (Unaudited) For the Year Ended December 31, 2011

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### *Governmental Funds*

Governmental funds are used to account for all activities which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information assists in determining whether there are more or less financial resources available in the near future for important City services. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

### *Proprietary Funds*

There are different types of proprietary funds: enterprise funds and internal service funds. The City does not maintain any enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains such a fund for its self-insurance of workers' compensation related costs. The internal service fund is presented on the proprietary fund financial statements and has been included with governmental activities in the government-wide financial statements.

### *Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.



# City of Mayfield Heights, Ohio

## Management's Discussion and Analysis (Unaudited) For the Year Ended December 31, 2011

### The City of Mayfield Heights as a Whole

#### Government-wide Financial Analysis

As noted earlier, the Statement of Net Assets looks at the City as a whole and can be used as an indicator of the City's financial position. The Statement of Net Assets in Table 1 provides a summary of the City's net assets for 2011 compared to 2010.

**Table 1 - Net Assets**

	Governmental Activities	
	2011	2010
<b>Assets</b>		
Current and Other Assets	\$ 26,656,205	\$ 26,044,840
Capital Assets	33,106,578	34,757,165
<b>Total Assets</b>	<b>59,762,783</b>	<b>60,802,005</b>
<b>Liabilities</b>		
Long-term Liabilities	7,162,153	8,088,528
Other Liabilities	6,232,187	6,191,345
<b>Total Liabilities</b>	<b>13,394,340</b>	<b>14,279,873</b>
<b>Net Assets</b>		
Invested in Capital Assets Net of Debt	28,692,694	30,098,679
Restricted	1,290,581	828,944
Unrestricted	16,385,168	15,594,509
<b>Total Net Assets</b>	<b>\$ 46,368,443</b>	<b>\$ 46,522,132</b>

2010 Net Assets were restated

Total assets for the City are \$59,762,783. The largest portion of the City's assets is in capital assets totaling \$33,106,578, which represents 55.40 percent of the total.

Total liabilities for the City are \$13,394,340. The most significant long-term liabilities are the Municipal Complex Bond Anticipation Notes payable for \$2,800,000 and the City's compensated absences liability for \$2,712,802. The largest component of other liabilities is deferred revenue in the amount of \$4,805,314.

Total net assets for the City are \$46,368,443. The most significant components of the net assets are represented by unrestricted net assets of \$16,385,168 and Invested in Capital Assets, Net of Related Debt of \$28,692,694, which represents 35.34 percent and 61.88 percent of the total, respectively.

## City of Mayfield Heights, Ohio

### Management's Discussion and Analysis (Unaudited) For the Year Ended December 31, 2011

Table 2 shows the changes in net assets for the years ended December 31, 2011 and December 31, 2010, and corresponds to the Statement of Activities on page 12.

**Table 2 - Change in Net Assets**

	Governmental Activities	
	2011	2010
<b><u>Revenues</u></b>		
Program Revenues:		
Charges for Services	\$ 2,181,529	\$ 1,914,143
Operating Grants and Contributions	661,763	726,422
Capital Grants and Contributions	236,859	223,572
General Revenues:		
Property Taxes	4,649,180	4,994,569
Income Taxes	11,942,125	9,929,204
Other Taxes	270,182	162,374
Grants and Entitlements	2,360,952	2,415,114
Other	326,707	375,862
<b>Total Revenues</b>	<b>22,629,297</b>	<b>20,741,260</b>
<b><u>Program Expenses</u></b>		
Security of Persons and Property	11,430,727	11,344,517
Public Health Services	391,154	331,866
Leisure Time Activities	1,622,867	1,614,856
Community Environment	874,086	1,049,423
Basic Utility Services	937,839	1,080,768
Transportation	4,976,782	5,283,386
General Government	2,509,031	2,436,810
Interest and Fiscal Charges	40,500	39,148
<b>Total Program Expenses</b>	<b>22,782,986</b>	<b>23,180,774</b>
Increase in Net Assets	(153,689)	(2,439,514)
Net Assets, Beginning of Year, Restated	46,522,132	48,961,646
<b>Net Assets, End of Year</b>	<b>\$ 46,368,443</b>	<b>\$ 46,522,132</b>

Total revenue increased in 2011 over 2010 by \$1,888,037, or an increase of 9.10 percent. The increase is mainly attributed to an increase in income taxes. The increase in income taxes of \$2,012,921 or 20.27 percent can be attributed to a significant increase in collections from several major corporations and the elimination of one Community Reinvestment Area (CRA) tax abatement, which reduced the amount of income tax shared with the Mayfield City School District (see Note 20 for further description).

# City of Mayfield Heights, Ohio

## Management's Discussion and Analysis (Unaudited) For the Year Ended December 31, 2011

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Total program expenses decreased overall by \$397,788, a percentage of 1.72 percent. Transportation expense had the most significant decrease of \$306,604, and was mainly due to the City's 2011 road program which was not capitalized due to the program consisting mainly of routine repairs and maintenance to various City roads.

### **Governmental Activities**

Several revenue sources fund the City's governmental activities. The most significant revenue source is municipal income tax. The income tax rate is 1 percent and residents of the City who work in another community receive a .50 percent credit for the first 1 percent paid to another community. The rate of 1 percent and .50 percent credit have been in effect since 1982. Income tax as a revenue source was first enacted in 1967. The City has a significant commercial tax base, which provides financial stability. Major employers such as Rockwell Automation, Parker Hannifin, Meridia Hillcrest Hospital (Cleveland Clinic), and Progressive Casualty Insurance continue to contribute to the City's tax base. In 2011, the City's revenue from income tax increased from \$9,929,204 in 2010 to \$11,942,125.

The other major revenue source for the City is property tax. The City's charter millage is 10.00 and has remained the same since 1951. The tax duplicate for collection year 2011 was \$554,270,720 and has been certified at \$568,383,810 for the 2012 collection year. While this revenue source is not as significant as the income tax, the duplicate's modest increases have been partially offset by the elimination of the tangible personal property tax. This revenue source could potentially be negatively impacted by the revaluation process that is currently underway in Cuyahoga County.

### **The City's Funds**

Information about the City's major funds begins on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenue of \$26,219,491 and expenditures of \$26,079,237 (including other financing sources and uses). The most significant fund is the General Fund with a year end fund balance of \$10,135,186, which included an assigned and unassigned fund balance of \$9,556,583 compared to expenditures of \$17,766,444, not including \$1,135,138 that was transferred from the General Fund to help finance various special revenue funds.

### ***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. An annual appropriation budget is prepared and presented to City Council for approval. A detailed line item budget for all departments is provided as part of the appropriation process. During the year, several amendments were made to the General Fund budget, with the major amendment being at the end of the year to adjust various line item amounts.

# City of Mayfield Heights, Ohio

## Management's Discussion and Analysis (Unaudited) For the Year Ended December 31, 2011

The City's original conservative revenue estimate of \$18,313,420 was lower than the final estimate of \$19,719,348, due mainly to an increase in the estimate of income taxes. The original expenditure budget of \$19,742,996 was increased by several amended appropriations to a total of \$20,239,096, for an increase of \$496,100.

### Capital Assets and Debt Administration

The City's investment in capital assets as of December 31, 2011, amounts to \$33,106,578 (net of accumulated depreciation). This investment in capital assets includes land, construction-in-progress, land improvements, buildings, machinery and equipment, furniture and fixtures, vehicles, roads, water mains, sanitary sewers, and storm sewers.

**Table 3 - Capital Assets at December 31 (Net of Depreciation)**

	Governmental Activities	
	2011	2010
Land	\$ 3,024,620	\$ 3,024,620
Construction-in-progress	6,435,556	6,426,556
Land Improvements	232,169	264,517
Buildings	6,158,123	6,394,274
Machinery and Equipments	637,767	767,777
Furniture and Fixtures	225,637	256,489
Vehicles	1,394,457	1,488,388
Infrastructures:		
Roads	6,266,999	7,363,989
Water Mains	679,493	701,466
Sanitary Sewers	6,380,974	6,565,220
Storm Sewers	1,670,783	1,503,869
<b>Total Capital Assets</b>	<b>\$ 33,106,578</b>	<b>\$ 34,757,165</b>

Total capital assets for governmental activities of the City for 2011 were \$33,106,578, a decrease of \$1,650,587 from 2010. The reason for this decrease can be attributed to the capital asset additions not exceeding current year depreciation expenses.

Refer to Note 11 of the basic financial statements for more detail on capital asset activity.

# City of Mayfield Heights, Ohio

## Management's Discussion and Analysis (Unaudited) For the Year Ended December 31, 2011

### Long-Term Obligations

As of December 31, 2011, the City had \$4,413,884 in long-term notes and OPWC loans outstanding with \$53,602 due in a year (see Note 15 for further detail).

**Table 4 - Outstanding Debt at December 31**

	Governmental Activities	
	2011	2010
Long-Term Bond Anticipation Notes	\$ 2,800,000	\$ 3,500,000
OPWC Loans	1,613,884	1,658,486
<b>Total Outstanding Debt</b>	<b>\$ 4,413,884</b>	<b>\$ 5,158,486</b>

As of December 31, 2011, the City had no outstanding general obligation bonds. The amount of long-term (based on maturity dates) general obligation bond anticipation notes is \$2,800,000. Notes were first issued in 2002 to finance the Municipal Complex Improvement Project and in 2006 for the Shemo Settlement. The City has utilized loans from the Ohio Public Works Commission (OPWC) to fund several of its major capital improvement projects. The City continues to have no long-term general obligation debt. Therefore, the City has not recently been rated by Moody's Investor Services.

### *Current Financial Related Activities*

The City continues its strong financial position, which can be attributed to its conservative approach in fiscal management. The City has adopted a policy of limited short-term debt issuances. Most capital improvements and equipment replacements are financed from current revenues.

### Contacting the City's Finance Department

This financial report is designed to provide our residents, taxpayers, creditors, and investors with a general overview of the City's finances and demonstrate the City's accountability for all money it receives, spends, and invests. If you have questions concerning this report or need additional financial information, contact the Director of Finance, Robert G. Tribby, at Mayfield Heights City Hall, 6154 Mayfield Road, Mayfield Heights, Ohio 44124, by telephone at 440-442-2626, ext. 201, or by e-mail at [roberttribby@mayfieldheights.org](mailto:roberttribby@mayfieldheights.org)

# City of Mayfield Heights, Ohio

## Statement of Net Assets December 31, 2011

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	Governmental Activities
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,685,005
Investments	14,905,366
Materials and Supplies Inventory	93,245
Accounts Receivable	364,818
Accrued Interest Receivable	39,250
Intergovernmental Receivable	1,545,701
Prepaid Items	63,960
Income Taxes Receivable	2,502,449
Property Taxes Receivable	5,431,438
Special Assessments Receivable	24,973
Nondepreciable Capital Assets	9,460,176
Depreciable Capital Assets	<u>23,646,402</u>
<b>Total Assets</b>	<u>59,762,783</u>
<b>LIABILITIES</b>	
Accounts Payable	335,783
Contracts Payable	272,679
Accrued Wages and Benefits	190,908
Intergovernmental Payable	588,296
Accrued Interest Payable	10,500
Retainage Payable	28,707
Deferred Revenue	4,805,314
Long-term Liabilities:	
Due within one year	1,137,437
Due in more than one year	<u>6,024,716</u>
<b>Total Liabilities</b>	<u>13,394,340</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	28,692,694
Restricted for:	
Debt Service	717,763
Other Purposes	572,818
Unrestricted	<u>16,385,168</u>
<b>Total Net Assets</b>	<u><u>\$ 46,368,443</u></u>

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

# City of Mayfield Heights, Ohio

## Statement of Activities For the Year Ended December 31, 2011

<u>Functions</u>	<u>Expenses</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government:</b>					
Governmental Activities:					
Security of Persons and Property	\$11,430,727	\$ 975,467	\$ 8,654	\$ 36,169	\$ (10,410,437)
Public Health and Welfare	391,154	-	-	-	(391,154)
Leisure Time Activities	1,622,867	402,022	-	50,527	(1,170,318)
Community Development	874,086	567,573	1,907	153,072	(151,534)
Basic Utility Services	937,839	4,097	-	-	(933,742)
Transportation	4,976,782	16,535	651,202	(2,909)	(4,311,954)
General Government	2,509,031	215,835	-	-	(2,293,196)
Interest and Fiscal Charges	40,500	-	-	-	(40,500)
Total Governmental Activities	<u>\$22,782,986</u>	<u>\$ 2,181,529</u>	<u>\$ 661,763</u>	<u>\$ 236,859</u>	<u>(19,702,835)</u>
<b>General Revenues:</b>					
Property Taxes levied for:					
General Purposes					3,733,029
Debt Service Purpose					637,201
Other Purposes					278,950
Income Taxes levied for:					
General Purposes					11,942,125
Other Taxes					270,182
Grants & Entitlements not restricted to specific programs					2,360,952
Investment Income					184,333
Gain (Loss) on Sale of Capital Assets					9,489
All Other Revenues					132,885
Total General Revenues					<u>19,549,146</u>
Change in Net Assets					(153,689)
Net Assets - Beginning of Year, Restated					46,522,132
<b>Net Assets - End of Year</b>					<b><u>\$ 46,368,443</u></b>

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

# City of Mayfield Heights, Ohio

## Balance Sheet – Governmental Funds December 31, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 85,810	\$ 1,500,886	\$ 1,586,696
Investments	7,859,936	7,045,430	14,905,366
Materials and Supplies Inventory	59,050	34,195	93,245
Accrued Interest Receivable	35,435	3,815	39,250
Accounts Receivable	363,588	1,230	364,818
Interfund Receivable	231,900	-	231,900
Intergovernmental Receivable	1,066,902	478,799	1,545,701
Prepaid Items	63,960	-	63,960
Income Taxes Receivable	2,502,449	-	2,502,449
Property and Other Taxes Receivable	4,286,058	1,145,380	5,431,438
Special Assessments Receivable	-	24,973	24,973
<b>Total Assets</b>	<b>\$ 16,555,088</b>	<b>\$ 10,234,708</b>	<b>\$ 26,789,796</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 287,846	\$ 47,937	\$ 335,783
Accrued Wages and Benefits	175,623	15,285	190,908
Contracts Payable	-	272,679	272,679
Intergovernmental Payable	429,436	158,860	588,296
Retainage Payable	-	28,707	28,707
Interfund Payable	-	231,900	231,900
Deferred Revenue	5,526,997	1,542,369	7,069,366
<b>Total Liabilities</b>	<b>6,419,902</b>	<b>2,297,737</b>	<b>8,717,639</b>
<b>Fund Balances:</b>			
Nonspendable	123,010	34,195	157,205
Restricted	-	2,281,393	2,281,393
Committed	455,593	5,836,151	6,291,744
Assigned	969,442	-	969,442
Unassigned (Deficit)	8,587,141	(214,768)	8,372,373
<b>Total Fund Balances</b>	<b>10,135,186</b>	<b>7,936,971</b>	<b>18,072,157</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 16,555,088</b>	<b>\$ 10,234,708</b>	<b>\$ 26,789,796</b>

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



# City of Mayfield Heights, Ohio

## Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities December 31, 2011

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<b>Total Governmental Fund Balances</b>	\$ 18,072,157
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*Amounts reported for Governmental Activities in the Statement of Net Assets are different because:*

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.	33,106,578
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

Property taxes	613,413	
Municipal income taxes	501,334	
Special assessments	24,973	
Intergovernmental	914,376	
Charges for services	209,956	
Total	<u>2,264,052</u>	2,264,052

In the Statement of Activities, interest is accrued on outstanding debt, whereas in Governmental funds, an interest expenditure is reported when due.	(10,500)
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Internal Service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the Internal Service funds are included in Governmental Activities in the Statement of Net Assets.	62,842
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

OPWC loans	(1,613,884)	
Bond anticipation notes	(2,800,000)	
Compensated absences	(2,712,802)	
Total	<u>(7,126,686)</u>	(7,126,686)

<b>Net Assets of Governmental Activities</b>	<u><u>\$ 46,368,443</u></u>
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The notes to the basic financial statements are an integral part of this statement

## City of Mayfield Heights, Ohio

### Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the Year Ended December 31, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 3,844,611	\$ 931,751	\$ 4,776,362
Income Taxes	11,657,999	-	11,657,999
Other Taxes	154,245	115,937	270,182
Intergovernmental	2,239,913	940,662	3,180,575
Interest	164,675	19,658	184,333
Fines, Licenses and Permits	788,837	1,250	790,087
Charges for Services	966,255	293,825	1,260,080
Special Assessments	2,148	2,391	4,539
All Other Revenues	87,095	47,124	134,219
<b>Total Revenues</b>	19,905,778	2,352,598	22,258,376
<b>EXPENDITURES</b>			
Security of Persons and Property	10,953,806	418,261	11,372,067
Public Health	391,154	-	391,154
Leisure Time Activities	1,327,573	244,208	1,571,781
Community Development	881,892	190,761	1,072,653
Basic Utility Service	679,937	2,880	682,817
Transportation	1,222,829	2,662,112	3,884,941
General Government	2,309,253	60,831	2,370,084
Debt Service:			
Principal Retirement	-	753,602	753,602
Interest and Fiscal Charges	-	45,000	45,000
<b>Total Expenditures</b>	17,766,444	4,377,655	22,144,099
Excess of Revenues Over (Under) Expenditures	2,139,334	(2,025,057)	114,277
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Sale of Capital Assets	12,123	4,854	16,977
OPWC Loans Issued	-	9,000	9,000
Notes Issued	-	2,800,000	2,800,000
Current Refunding	-	(2,800,000)	(2,800,000)
Transfers In	-	1,135,138	1,135,138
Transfers Out	(1,135,138)	-	(1,135,138)
<b>Total Other Financing Sources (Uses)</b>	(1,123,015)	1,148,992	25,977
Net Change in Fund Balances	1,016,319	(876,065)	140,254
Fund Balances - Beginning of Year, Restated	9,091,204	8,818,481	17,909,685
Increase (Decrease) in Inventory	27,663	(5,445)	22,218
<b>Fund Balances - End of Year</b>	\$ 10,135,186	\$ 7,936,971	\$ 18,072,157

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

## City of Mayfield Heights, Ohio

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2011

**Net Change in Fund Balances - Total Governmental Funds** \$ 140,254

*Amounts reported for Governmental Activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	401,106	
Depreciation	(2,044,205)	
Total	(1,643,099)	(1,643,099)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (7,488)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(127,182)	
Municipal income taxes	284,126	
Special assessments	(2,909)	
Intergovernmental	74,135	
Charges for services	133,262	
Total	361,432	361,432

Other financing sources in the Governmental funds that increase long-term liabilities in the Statement of Net Assets. These sources were attributed to the issuance of bond anticipation notes and OPWC loans. (2,809,000)

Repayment of bond and note principal are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 3,553,602

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental funds.

Compensated absences	161,050	
Change in inventory	22,218	
Accrued interest	4,500	
Total	187,768	187,768

Internal Service funds are used by management to charge costs to certain activities, such as insurance to individual funds. The net revenue (expense) of Internal Service funds are reported in the Governmental Activities. 62,842

**Change in Net Assets of Governmental Activities** \$ (153,689)

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

## City of Mayfield Heights, Ohio

### Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 4,273,142	\$ 3,871,400	\$ 3,844,611	\$ (26,789)
Municipal Income Tax	10,172,853	11,512,928	11,706,815	193,887
Other Taxes	128,122	145,000	157,514	12,514
Charges for Services	805,580	911,700	935,149	23,449
Fines, Licenses and Permits	655,014	741,300	781,479	40,179
Intergovernmental	1,811,933	2,050,620	2,003,455	(47,165)
Investment Income	159,048	180,000	186,629	6,629
All Other Revenues	75,828	74,500	91,573	17,073
<b>Total Revenues</b>	<u>18,081,520</u>	<u>19,487,448</u>	<u>19,707,225</u>	<u>219,777</u>
<b>Expenditures:</b>				
Current:				
Security of Persons & Property	11,098,008	11,102,008	10,610,690	491,318
Public Health Services	451,795	451,795	409,192	42,603
Leisure Time Activities	1,327,880	1,385,380	1,307,377	78,003
Community Environment	629,861	631,861	622,755	9,106
Basic Utility Services	718,229	718,229	700,131	18,098
Transportation	1,111,841	1,209,841	1,185,583	24,258
General Government	2,430,982	2,515,582	2,384,329	131,253
<b>Total Expenditures</b>	<u>17,768,596</u>	<u>18,014,696</u>	<u>17,220,057</u>	<u>794,639</u>
Excess of Revenues Over (Under) Expenditures	<u>312,924</u>	<u>1,472,752</u>	<u>2,487,168</u>	<u>1,014,416</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	-	-	12,123	12,123
Transfers Out	(1,767,500)	(2,017,500)	(1,776,738)	240,762
Advances In	231,900	231,900	-	(231,900)
Advances Out	(206,900)	(206,900)	(206,900)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(1,742,500)</u>	<u>(1,992,500)</u>	<u>(1,971,515)</u>	<u>20,985</u>
Net Change in Fund Balance	(1,429,576)	(519,748)	515,653	1,035,401
Fund Balance - Beginning of Year	6,620,078	6,620,078	6,620,078	-
Prior Year Encumbrances Appropriated	128,717	128,717	128,717	-
Fund Balance - End of Year	<u>\$ 5,319,219</u>	<u>\$ 6,229,047</u>	<u>\$ 7,264,448</u>	<u>\$ 1,035,401</u>

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

# City of Mayfield Heights, Ohio

## Statement of Net Assets Proprietary Fund December 31, 2011

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	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 98,309
<b>Total Assets</b>	<u>98,309</u>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Claims Payable	21,506
<b>Noncurrent Liabilities:</b>	
Claims Payable	13,961
<b>Total Liabilities</b>	<u>35,467</u>
<b>NET ASSETS</b>	
Unrestricted	62,842
<b>Total Net Assets</b>	<u>\$ 62,842</u>

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

# City of Mayfield Heights, Ohio

## Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Fund For the Year Ended December 31, 2011

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	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 65,410
<b>Total Operating Revenues</b>	<u>65,410</u>
<b>OPERATING EXPENSES</b>	
Claims	<u>2,568</u>
<b>Total Operating Expense</b>	<u>2,568</u>
Change in Net Assets	62,842
Net Assets - Beginning of Year	-
<b>Net Assets - End of Year</b>	<u><u>\$ 62,842</u></u>

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

# City of Mayfield Heights, Ohio

## Statement of Cash Flows Proprietary Fund For the Year Ended December 31, 2011

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	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Interfund Services Provided	\$ 121,600
Cash Payments for Claims	(23,291)
Net Cash Provided by Operating Activities	<u>98,309</u>
Net Increase (Decrease) in Cash and Cash Equivalents	98,309
Cash and Cash Equivalents - Beginning of Year	-
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 98,309</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	\$ 62,842
Adjustments:	
(Increase) Decrease in Assets:	
Interfund Receivable	56,190
Increase (Decrease) in Liabilities:	
Claims Payable	(20,723)
Net Cash Provided by Operating Activities	<u><u>\$ 98,309</u></u>

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

# City of Mayfield Heights, Ohio

## Statement of Fiduciary Net Assets Fiduciary Funds December 31, 2011

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 380,564
<b>Total Assets</b>	<u>\$ 380,564</u>
<b>LIABILITIES</b>	
Deposits Held and Due to Others	\$ 380,564
<b>Total Liabilities</b>	<u>\$ 380,564</u>

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



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# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements For the Year Ended December 31, 2011

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### NOTE 1: **REPORTING ENTITY**

The City of Mayfield Heights, Ohio (the “City”) is a home-rule municipal corporation established under the laws of the State of Ohio. The City operates under its own charter. The current charter, which provides for a council-mayor form of government, was adopted by the voters on July 2, 1951.

The City, in order to provide the necessary services to its citizens, is segmented into many different departments. Among these are the police, fire fighting, street maintenance, planning and zoning, emergency medical technicians, parks and recreation system, public improvements department, and general administrative staff to provide support to these service groups. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures. All are responsible to the citizens of the City and are included as part of the primary government.

A legally separate organization is a component unit of the primary government if **1)** the primary government is financially accountable for the organization, **2)** the nature and significance of the relationship between the primary government and the organization are such that exclusion would cause the reporting entity’s basic financial statements to be misleading or incomplete, or **3)** the organization is closely related to or financially integrated with the primary government. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City is associated with certain organizations which are identified as jointly governed organizations. The jointly governed organizations are the Eastern Suburban Regional Council of Governments and the Mayfield Union Cemetery as presented in Note 19 to the basic financial statements. The City is also associated with an organization defined as a risk sharing pool (Notes 16 and 17).

### NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described on the following pages. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### A. Basis of Presentation

The City'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 City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods and services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

#### B. Fund Accounting

The City 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. There are three categories of funds: governmental, proprietary and fiduciary.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### B. Fund Accounting (Continued)

**Governmental Funds** Governmental funds are those through which governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the City's major governmental fund:

**General Fund** The General Fund is the operating fund of the City and is used to account for all financial resources except those required by law or contract to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter of the City and/or the general laws of Ohio.

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

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City does not have any enterprise funds.

**Internal Service Fund** Internal Service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports a self-insurance program for the City's workers' compensation retrospective rating plan.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investments trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for deposits and monies held for contractors, developers, community activities, police bond account, and a mobile air truck maintenance program.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Measurement Focus

***Government-wide Financial Statements*** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

#### D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements along with the statement presented for proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and the presentation of expenses versus expenditures.

***Revenues – Exchange and Nonexchange Transactions*** Revenue resulting from exchange transactions, in which the City receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year-end.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Basis of Accounting (Continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the exchange on which the tax is imposed takes place. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and entitlements, and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes, for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

---

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

E. **Cash, Cash Equivalents, and Investments**

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The City complies with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. As a governmental entity other than an external investment pool in accordance with GASB Statement No. 31, the City's investments are stated at market value, except for interest-earnings investment contracts (Note 7).

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of December 31, 2011:

The portfolio of the City was limited to United States Agency securities and nonparticipating interest-earning investment contracts. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the General Fund to the extent its cash and investment balance exceeds the cumulative value of those investments subject to GASB Statement No. 31.

The City's policy is to hold investments until maturity or until market values equal or exceed cost.

Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$164,675, which includes \$79,001 assigned from other funds.

For presentation on the statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### F. Materials and Supplies Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of the governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased.

Inventory consists of expendable supplies.

#### G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

#### H. Capital Assets

The City's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$2,500. Interest incurred during the construction of capital assets is not capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method utilizing the half-year convention over the following useful lives:



# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### H. Capital Assets (Continued)

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Building and Improvement	20 - 60 years
Machinery and Equipment	5 - 20 years
Furniture and Fixtures	15 - 20 years
Vehicles	5 - 20 years
Infrastructure	15 - 50 years

#### I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future (those employees who will be eligible to receive termination benefits in the next twenty years). The amount is based on accumulated sick leave and employee wage rates at year-end, taking into consideration any limits specified in the City's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

#### J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### K. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance classification includes amounts that cannot be spent because they are not spendable in form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the City’s Council. Those committed amounts cannot be used for any other purpose unless the City’s Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by City Council.

*Unassigned* – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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#### NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

##### K. **Fund Balance** (Continued)

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

##### L. **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of governments. The City has no net assets which are restricted by enabling legislation. Net assets that are restricted for other purposes are mostly comprised of the Street Construction, Maintenance and Repair Fund, State Highway Fund, and the Summer Day Camp Fund.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

##### M. **Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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 expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

##### N. **Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items during 2011.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

##### P. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

An annual appropriation budget is prepared for all funds other than the agency funds of the City. Budgetary comparisons are presented in this report on the budgetary basis.

The legal level of budgetary control is at the personal services and other object levels within each department for the General Fund, the Street Construction, Maintenance and Repair Fund, the State Highway Improvement Fund, the Summer Day Camp Fund, and the Juvenile Diversion Program Fund, and at the other object level for the remaining funds. Any budgetary modifications at this level may only be made by resolution of City Council.

**Tax Budget** - A tax budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 15 of each year for the period January 1 to December 31, of the following year. A proposed budget of estimated revenues and expenditures is submitted by the Mayor to members of City Council by November 15 of each year for the period January 1 to December 31 of the following year.

**Estimated Resources** - The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the projected revenue of each fund. On or about January 1, the certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### P. Budgetary Data (Continued)

The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were passed by Council.

**Appropriations** - A temporary appropriation measure to control disbursements may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriations ordinance must be passed by April 1 and may be amended or supplemented during the year as new information becomes available, provided that total fund appropriations at the personal services and other object levels within each department for the General Fund, the Street Construction, Maintenance, and Repair Fund, the State Highway Improvement Fund, the Summer Day Camp Fund, and the Juvenile Diversion Program Fund, and at the other object level for the remaining funds (legal level of control) do not exceed current estimated resources, as certified. The amounts reported as the original budgeted amounts reflect the first appropriation resolution 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 appropriation amounts passed by Council during the year.

**Encumbrances** - As part of formal budgetary control, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a part of restricted, committed, or assigned fund balance for subsequent year expenditures for governmental funds.

**Lapsing of Appropriations** - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

**NOTE 3: CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2011, the City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Instruments Omnibus*.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The implementation of this Statement resulted in the reclassification of fund balances on the City's governmental fund financial statements.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of this Statement did not have an effect on the City's financial statements.

**NOTE 4: PRIOR PERIOD ADJUSTMENTS**

The implementation of GASB Statement No. 54 and the City's review of fund classifications and activity had the following effect on net assets and fund balances of the major and nonmajor funds as they were previously reported:

	Governmental Activities	Agency Funds
Net Assets, December 31, 2010	\$ 46,677,732	
Assets and Liabilities, December 31, 2010		\$ 288,094
Change in Fund Structure	(155,600)	155,600
Restated Net Assets, December 31, 2010	\$ 46,522,132	
Restated Assets and Liabilities, December 31, 2010		\$ 443,694
	Other Governmental Funds	Total Governmental Funds
Fund Balance, December 31, 2010	\$ 8,520,100	\$ 9,545,185
Change in Fund Structure	571,104	(726,704)
Restated Fund Balance, December 31, 2010	\$ 9,091,204	\$ 8,818,481
		\$ 17,909,685

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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### NOTE 5: ACCOUNTABILITY

Fund balance at December 31, 2011 included the following individual fund deficits:

#### Nonmajor Special Revenue Funds:

Ohio EPA SWIF Fund	\$ 83,212
Police Pension Fund	65,778
Fire Pension Fund	<u>65,778</u>
Total	<u>\$ 214,768</u>

The deficits in the Ohio EPA SWIF Fund, Police Pension and Fire Pension Special Revenue funds resulted from accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

### NOTE 6: BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the related liabilities are incurred (GAAP basis).
- c. Encumbrances are treated as expenditures (budget basis) rather than as part of restricted, committed, or assigned fund balance (GAAP basis).
- d. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).
- e. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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### NOTE 6: **BUDGETARY BASIS OF ACCOUNTING** (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statement for the General Fund.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$ 1,016,319
Increase (Decrease) Due to:	
Revenue Accruals	(196,405)
Expenditure Accruals	(33,138)
Advances Out	(206,900)
Funds with Separate Legally Adopted Budgets	128,652
Net Impact of Encumbrances	<u>(192,875)</u>
Budgetary Basis	<u>\$ 515,653</u>

### NOTE 7: **CASH, CASH EQUIVALENTS, AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City 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 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. 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 or interest by the United States;



## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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NOTE 7: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

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 provide that the market value of the securities subject to the repurchase agreement must exceed 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;
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; and
6. The State Treasurer's investment pool (STAR Ohio).

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 City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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#### NOTE 7: CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

##### A. Cash on Hand

At December 31, 2011, the City had \$2,350 in undeposited cash on hand, which is included on the balance sheet of the City as part of "Equity in Pooled Cash and Cash Equivalents".

##### B. Deposits

At December 31, 2011, the carrying amount of the City's deposits was \$2,563,219 (including \$500,000 in certificates of deposit). Based on criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, as of December 31, 2010, \$1,996,855 of the City's bank balance was covered by Federal Depository Insurance and \$1,119,323 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposit may not be returned. The City's policy is to place deposits with major local banks approved by the City's Council. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code is held in financial institution pools at Federal Reserve Banks, or at member banks of the federal reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at a Federal Reserve Bank in the name of the City.

##### C. Investments

The City has a formal investment policy. The City follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At December 31, 2011, fair value was \$25,439 above the City's net cost for investments. At December 31, 2010, fair value was \$26,598 above net cost. Fair value is determined by quoted market prices and acceptable other pricing methodologies.

##### D. Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

NOTE 7: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

E. **Credit Risk**

The credit risks of the City's investments are in the table below. The credit ratings were provided from Moody's and Standard and Poor's. The City has no investment policy that would further limit its investment choices.

F. **Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by a third party custodian designated by the Finance Director. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the finance director or qualified trustee.

G. **Concentration of Credit Risk**

Safety of principal is the foremost objective of the City's investment program. Investments of the City shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed income generated from the remainder of the portfolio.

Cash and investments at year-end were as follows:

	Fair Value	Credit Rating (*)	Investment Maturities (in Years)	
			1-3	3-5
<u>Investment Type:</u>				
U.S. Agencies	\$ 14,405,366	Aaa/AAA	\$ 500,540	\$ 13,904,826
Carrying Amount of Deposits	2,563,219			
Petty Cash	2,350			
Total	\$ 16,970,935			

\* Credit Ratings were obtained from Moody's and Standard & Poor's, respectively, for all investments.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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### NOTE 8: RECEIVABLES

Receivables at December 31, 2011, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investments, and accounts (billing for rental and permits, etc.). No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant.

#### A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2011 for real and public property taxes represents collections of 2010 taxes. Property tax payments received during 2011 for tangible personal property (other than public utility property) are for 2011 taxes.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien at December 31, 2010 are levied after October 1, 2011, and are collected in 2012 with real property taxes.

2011 collections of Tangible personal property assessments have been phased out.

The full tax rate for all City operations for the year ended December 31, 2011 was \$10.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property	\$ 547,806,110
Public Utility Tangible Property	<u>6,464,610</u>
Total	<u>\$ 554,270,720</u>

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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#### NOTE 8: **RECEIVABLES** (Continued)

##### A. **Property Taxes** (Continued)

Public utility tangible personal property taxes paid by multi-county taxpayers are due by September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Fiscal Officer collects property taxes on behalf of all taxing districts within the County, including the City. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2011, and for which there is an enforceable legal claim. In the General, Police Pension, Fire Pension, and General Bond Retirement Funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

##### B. **Municipal Income Taxes**

An income tax of 1.0 percent is levied on substantially all income earned within the City. In addition, residents of the City are required to pay City income taxes on income earned outside the City; however, credit is allowed for income taxes paid to other municipalities up to 50 percent of the first percent paid. The allocation of income tax revenue to the City's General Fund is determined by City Ordinance.

Employers within the City are required to withhold income tax on employee compensation and remit this tax to the City's collection agency at least quarterly. Major employers are required to remit withholdings to the City's collection agency at least monthly. Corporations and self-employed individual taxpayers are required to pay estimated taxes quarterly and file a declaration annually. The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly, net of collection fees of 3 percent.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

NOTE 8: **RECEIVABLES** (Continued)

### C. **Special Assessments**

Special assessments include annually assessed service assessments and assessments for debt obligations. Service type special assessments are levied against all property owners which benefit from the provided service while special assessments for debt obligations are levied against specific property owners who primarily benefitted from the project. As of December 31, 2011, the City does not have any assessments for debt obligations.

Special assessments are payable by the timetable and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance.

All special assessments are billed and collected by the County Fiscal Officer. The County Fiscal Officer periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year. Since all assessment collections are remitted to the City outside of the available period, the entire amount has been deferred on the combined balance sheet.

Special assessments expected to be collected in more than one year amount to \$24,973. At December 31, 2011, the amount of delinquent special assessments was \$1,987.

### D. **Other Local Taxes**

With certain exceptions, a tax of 5 percent is levied by the City on individuals, companies and organizations which collect an admission charge. Additionally, the City levies a transient guest tax on individuals staying at motels located in the City at a rate of 3 percent. These other local taxes are recorded in the General Fund.

### E. **Intergovernmental Receivables**

A summary of the principal items of intergovernmental receivables follows:

	<b><u>Amount</u></b>
<b><u>Governmental Activities</u></b>	
Local Government	\$ 404,127
Estate Tax	462,905
Gasoline/Motor Vehicle License/Permissive Taxes	337,323
Homestead and Rollback Reimbursement	248,287
Utility Property Tax Loss and CAT Reimbursement	9,848
Ohio EPA SWIF Grant	83,211
Total Governmental Activities	<b><u>\$1,545,701</u></b>

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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### NOTE 9: INTERFUND TRANSACTIONS

#### A. Interfund Transfers

As of December 31, 2011, interfund transfers were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 1,135,138
Nonmajor Governmental Funds	1,135,138	-
Total	<u>\$ 1,135,138</u>	<u>\$ 1,135,138</u>

Interfund transfers were needed to provide additional resources for current operations. The above interfund transfers were eliminated on the government-wide statement of net assets because they were between governmental funds.

#### B. Interfund Receivables and Payables

As of December 31, 2011, interfund receivables and payables were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 231,900	\$ -
Nonmajor Governmental Funds	-	231,900
Total	<u>\$ 231,900</u>	<u>\$ 231,900</u>

Interfund receivables and payables were used to provide the initial cash for expenditure driven grant funds. The above interfund receivables and payable were eliminated on the government-wide statement of net assets because they were between governmental activities.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

**NOTE 10: FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Other Governmental Funds	Total
<i>Nonspendable</i>			
Prepaid Items	\$ 63,960	\$ -	\$ 63,960
Materials and Supplies Inventory	59,050	34,195	93,245
<i>Total Nonspendable</i>	<u>123,010</u>	<u>34,195</u>	<u>157,205</u>
<i>Restricted for</i>			
Law Enforcement Trust - State	-	3,592	3,592
Law Enforcement Trust - Federal	-	11,874	11,874
Juvenile Diversion Program	-	3,940	3,940
D.A.R.E. Trust	-	11,212	11,212
Streets and Highways	-	304,046	304,046
Road Improvements	-	1,157,546	1,157,546
Cedar Road Water Main Ext.	-	47,402	47,402
Sidewalk Repairs	-	147,163	147,163
G.O. Debt Retirement	-	503,486	503,486
S.A. Debt Retirement	-	91,132	91,132
<i>Total Restricted</i>	<u>-</u>	<u>2,281,393</u>	<u>2,281,393</u>
<i>Committed to</i>			
Termination Benefits	404,569	-	404,569
Property Insurance	12,641	-	12,641
Tree Replacement	10,919	-	10,919
Street Lighting	15,964	-	15,964
Underground Storage Tanks	11,000	-	11,000
Summer Day Camp	-	240,055	240,055
Equipment Replacement	-	833,223	833,223
Sanitary Sewer Improvement	-	2,608,641	2,608,641
Public Property Improvement	-	1,620,104	1,620,104
Mayfield Road Corridor	-	534,128	534,128
Other Purposes	500	-	500
<i>Total Committed</i>	<u>455,593</u>	<u>5,836,151</u>	<u>6,291,744</u>
<i>Assigned to</i>			
Fiscal Year 2012 Appropriations	915,563	-	915,563
Other Purposes	53,879	-	53,879
<i>Total Assigned</i>	<u>969,442</u>	<u>-</u>	<u>969,442</u>
<i>Unassigned (Deficit)</i>	<u>8,587,141</u>	<u>(214,768)</u>	<u>8,372,373</u>
<b>Total Fund Balances</b>	<u><u>\$ 10,135,186</u></u>	<u><u>\$ 7,936,971</u></u>	<u><u>\$ 18,072,157</u></u>



## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

**NOTE 11: CAPITAL ASSETS**

A summary of changes in capital assets during 2011 follows:

	Balance 12/31/2010	Additions	Reductions	Balance 12/31/2011
<b><u>Governmental Activities</u></b>				
Capital Assets, not being depreciated:				
Land	\$ 3,024,620	\$ -	\$ -	\$ 3,024,620
Construction in Progress	6,426,556	9,000	-	6,435,556
<b>Total Capital Assets Not Being Depreciated</b>	<b>9,451,176</b>	<b>9,000</b>	<b>-</b>	<b>9,460,176</b>
Capital Assets, being depreciated:				
Land Improvements	1,220,330	-	-	1,220,330
Buildings	9,329,511	-	-	9,329,511
Machinery and Equipment	2,255,954	21,439	(8,319)	2,269,074
Furniture and Fixtures	816,854	3,845	-	820,699
Vehicles	3,828,959	147,833	(115,571)	3,861,221
Infrastructure				
Roads	26,892,631	-	-	26,892,631
Water Mains	1,098,642	-	-	1,098,642
Sanitary Sewers	9,212,285	-	-	9,212,285
Storm Sewers	2,430,957	218,989	-	2,649,946
<b>Totals at Historical Cost</b>	<b>57,086,123</b>	<b>392,106</b>	<b>(123,890)</b>	<b>57,354,339</b>
Less Accumulated Depreciation:				
Land Improvements	(955,813)	(32,348)	-	(988,161)
Buildings	(2,935,237)	(236,151)	-	(3,171,388)
Machinery and Equipment	(1,488,177)	(143,961)	831	(1,631,307)
Furniture and Fixtures	(560,365)	(34,697)	-	(595,062)
Vehicles	(2,340,571)	(241,764)	115,571	(2,466,764)
Infrastructure				
Roads	(19,528,642)	(1,096,990)	-	(20,625,632)
Water Mains	(397,176)	(21,973)	-	(419,149)
Sanitary Sewers	(2,647,065)	(184,246)	-	(2,831,311)
Storm Sewers	(927,088)	(52,075)	-	(979,163)
<b>Total Accumulated Depreciation</b>	<b>(31,780,134)</b>	<b>(2,044,205)</b>	<b>116,402</b>	<b>(33,707,937)</b>
<b>Total Capital Assets, being Depreciated, Net</b>	<b>25,305,989</b>	<b>(1,652,099)</b>	<b>(7,488)</b>	<b>23,646,402</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 34,757,165</b>	<b>\$ (1,643,099)</b>	<b>\$ (7,488)</b>	<b>\$ 33,106,578</b>

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

### NOTE 11: CAPITAL ASSETS (Continued)

\*Depreciation expense was charge to governmental functions as follows:

	Other Capital Assets	Infrastructure	Total
Security of Persons and Property	\$ 334,425	\$ -	\$ 334,425
Basic Utilities	67,632	258,294	325,926
Community Environment	18,584	-	18,584
Leisure Time Activities	86,050	-	86,050
Transportation	54,409	1,096,990	1,151,399
General Government	127,821	-	127,821
Total Deprecation Expense	<u>\$ 688,921</u>	<u>\$ 1,355,284</u>	<u>\$ 2,044,205</u>

### NOTE 12: COMPENSATED ABSENCES

City employees generally earn vacation ranging from two to five weeks based on length of service. It is fully vested when earned. Normally, all vacation time should be taken in the year available unless written approval for carryover of vacation is obtained. Upon termination of employment the employee receives all accumulated vacation time and the pro-rated portion earned for the current year. All employees, earn sick leave of 15 days per year; 4.615 hours for every 80 hours paid (excluding overtime). Employees who have at least 10 years of service receive, upon termination of employment, one half of the first 1,000 hours of accumulated sick leave and then one-third of anything over 1,000 hours.

### NOTE 13: PENSION PLAN

#### A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of 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 in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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NOTE 13: **PENSION PLAN** (Continued)

**A. Ohio Public Employees Retirement System** (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting [www.opers.org/investments/cafr](http://www.opers.org/investments/cafr), writing to OPERS, 277 E. Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2011, the members of all three plans were required to contribute 10.00 percent of their annual covered salaries. The City's total contribution rate of 14.00 percent funded pension and post-employment benefits. The pension allocation for members of: the Traditional Plan was 10.00 percent for calendar year 2011; the Combined Plan was 7.95 percent for calendar year 2011. The City's required pension contributions to OPERS for the years ended December 31, 2011, 2010, and 2009 were \$443,936, \$405,085, and \$374,278, respectively; 90.97 percent has been contributed for 2011 and 100 percent has been contributed for 2010 and 2009. The unpaid contribution to fund pension obligations for 2011, in the amount of \$56,112, is recorded as a liability within the respective funds.

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

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

Plan members are required to contribute 10.00 percent of their annual covered salary, while the City is required to contribute 19.50 percent and 24.00 percent for police officers and firefighters, respectively. The portion of the City's contributions to fund pension obligations was 12.75 percent for police officers and 17.25 percent for firefighters.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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NOTE 13: **PENSION PLAN** (Continued)

**B. Ohio Police and Fire Pension Fund** (Continued)

The City's required contributions to OP&F for police and firefighters were \$385,353 and \$469,796 for the year ended December 31, 2011, \$390,422 and \$466,259 for the year ended December 31, 2010, and \$375,344 and \$447,038 for the year ended December 31, 2009; 70.22 percent and 72.43 percent, respectively, has been contributed for 2011 and 100 percent for 2010 and 2009. The unpaid contributions to fund pension obligations for 2011 were \$175,495 for police and \$180,206 for firefighters. These amounts have been recorded as liabilities within the respective funds.

NOTE 14: **POST-EMPLOYMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

*Plan Description* - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan is a defined contribution plan; and 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.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting [www.opers.org/investments/cafr](http://www.opers.org/investments/cafr), writing to OPERS, 277 E. Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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NOTE 14: **POST-EMPLOYMENT BENEFIT PLANS** (Continued)

A. **Ohio Public Employees Retirement System** (Continued)

*Funding Policy* – The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. The 2011 local government employer contribution rate was 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for local government employers. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.00 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's actual employer contributions for 2011, 2010 and 2009 which were used to fund post-employment benefits were \$177,574, \$232,754, and \$265,567, respectively; 90.97 percent has been contributed for 2011 and 100 percent has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008, which allowed additional funds to be allocated to the health care plan.

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

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

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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NOTE 14: **POST-EMPLOYMENT BENEFIT PLANS** (Continued)

B. **Ohio Police and Fire Pension Fund** (Continued)

OP&F provides access to post-employment health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

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

*Funding Policy* – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of the Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

NOTE 14: **POST-EMPLOYMENT BENEFIT PLANS** (Continued)

**B. Ohio Police and Fire Pension Fund** (Continued)

The City's contributions for 2011, 2010, and 2009 that were used to fund post-employment benefits were \$204,010 for police and \$183,833 for firefighters, \$206,694 for police and \$182,449 for firefighters, and \$198,711 for police and \$174,928 for firefighters, respectively; 70.22 percent and 72.43 percent, respectively, has been contributed for 2011 and 100 percent for 2010 and 2009.

NOTE 15: **LONG-TERM OBLIGATIONS**

Changes in the long-term obligations of the City for the year ended December 31, 2011, are as follows:

	Original Issuance Amount	Maturity Year	Balance 12/31/2010	Increase	Decrease	Balance 12/31/2011	Amount Due In a Year
<b><u>Long-Term Obligations -</u></b>							
<b><u>Governmental Activities</u></b>							
<i>OPWC Loans:</i>							
OPWC Loan - Mayfield Rd./I-271 Interchange, 0.00%	\$ 271,155	2015	\$ 60,080	\$ -	\$ (13,352)	\$ 46,728	\$ 13,352
OPWC Loan - Mayfield Rd. Improvements, 0.00%	\$ 1,000,000	2024	914,156	9,000	-	923,156	-
OPWC Loan - Mayfield Rd. Sanitary Sewer, 0.00%	\$ 805,000	2028	684,250	-	(40,250)	644,000	40,250
<i>Total OPWC Loans</i>			<u>1,658,486</u>	<u>9,000</u>	<u>(53,602)</u>	<u>1,613,884</u>	<u>53,602</u>
<i>Other Long-Term Liabilities:</i>							
Municipal Complex Improvements - Bond Anticipation Notes, 1.125%		8/2011	3,000,000	2,800,000	(3,000,000)	2,800,000	-
Claims and Judgments - Bond Anticipation Notes, 1.50%		8/2011	500,000	-	(500,000)	-	-
Workers' Compensation Claims Liability Compensated Absences			56,190	2,568	(23,291)	35,467	21,506
			<u>2,873,852</u>	<u>910,874</u>	<u>(1,071,924)</u>	<u>2,712,802</u>	<u>1,062,329</u>
<i>Total Other Long-Term Liabilities</i>			<u>6,430,042</u>	<u>3,713,442</u>	<u>(4,595,215)</u>	<u>5,548,269</u>	<u>1,083,835</u>
<b>Total Long-Term Obligations - Governmental Activities</b>			<u>\$ 8,088,528</u>	<u>\$ 3,722,442</u>	<u>\$ (4,648,817)</u>	<u>\$ 7,162,153</u>	<u>\$ 1,137,437</u>

The Ohio Public Works Commission (OPWC) loan - Mayfield Road Improvements' debt obligations will be paid from the Road Improvement Capital Project Fund by revenues transferred from the General Fund. As of December 31, 2011, the City has not completed the projects related to this loan and has not received all available funding. Therefore, an amortization schedule is not available. The OPWC loan - Mayfield Road Sanitary Sewers' debt obligations will be paid from the Sanitary Sewer Improvement Capital Projects Fund. The OPWC loan for the Mayfield Rd./I-271 Interchanges project is paid out of the Road Improvement Capital Projects Fund.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

**NOTE 15: LONG-TERM OBLIGATIONS** (Continued)

Municipal Complex Improvement Bond Anticipation Notes (BANs) were reissued in 2011 as notes in anticipation of bond proceeds. The notes will be refinanced until the City determines it to be advantageous to issue bonds. Payment for the BANs will be made from the General Obligation Bond Retirement Fund. Compensated absences will be paid from the respective funds from which the employees' salary is paid mostly the General Fund and the Street Construction, Maintenance and Repair Fund. The City will pay workers' compensation claims from the Self-Insurance Fund.

**Principal and Interest Requirements**

A summary of the City's future long-term debt requirements, including principal and interest payments as of December 31, 2011 follows:

Year	OPWC		OPWC - Sanitary Sewer		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 13,352	\$ -	\$ 40,250	\$ -	\$ 53,602	\$ -
2013	13,352	-	40,250	-	53,602	-
2014	13,352	-	40,250	-	53,602	-
2015	6,672	-	40,250	-	46,922	-
2016	-	-	40,250	-	40,250	-
2017-2021	-	-	201,250	-	201,250	-
2022-2026	-	-	201,250	-	201,250	-
2027	-	-	40,250	-	40,250	-
	<u>\$ 46,728</u>	<u>\$ -</u>	<u>\$ 644,000</u>	<u>\$ -</u>	<u>\$ 690,728</u>	<u>\$ -</u>

The Ohio Revised Code provides that net general obligation debt of the City, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the City. The Ohio Revised Code further provides that total voted and unvoted net debt of the City 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, 2011, were an overall debt margin of \$54,288,028 and an unvoted debt margin of \$26,574,492.



## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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#### NOTE 16: NORTHERN OHIO RISK MANAGEMENT ASSOCIATION

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the cities of Bedford Heights, Highland Heights, Hudson, Mayfield Heights, Richmond Heights, South Euclid, Eastlake, Solon, Maple Heights, University Heights and the Village of Chagrin Falls, for the purpose of enabling its members to obtain property and liability insurance, including vehicle, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a Board of Trustees that consists of the mayor from each of the participating members. Each entity must remain a member for at least three years from its initial entry date. After the initial three years, each City may extend its term by an additional three years.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$97,500 per occurrence, will come from the self-insurance pool with any excess paid from the stop loss coverage carried by the pool. Any loss over the stop loss coverage would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2011, the City paid \$115,880 in premiums from the General Fund, which represents 7.40 percent of total premiums. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of Maple Heights, 5353 Lee Road, Maple Heights, OH 44137.

#### NOTE 17: RISK MANAGEMENT

NORMA provides a pool of self-insurance for liability and property damage, vehicles, boiler and machinery, theft, bonding of city employees, and public officials' errors and omissions. The City's share of NORMA's claims and expenses are accounted among the General Fund departments and other funds in proportion to the protection provided for the assets in those general fund departments and other funds. The agreement of formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the limits described in the agreement.

Settled claims have not exceeded coverage in any of the past three years. Also, there have been no significant reductions in the limits of liability.

All employees of the City are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

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

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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#### NOTE 17: **RISK MANAGEMENT** (Continued)

The City provides medical, dental, and prescription benefits for all full-time employees. All payments are made from the General Fund based on amounts needed to pay prior and current year claims. Costs are based on actuarial estimations, demographics, and the City's claim history. Starting in 2008, all employees must contribute a portion of the monthly premiums for medical and prescription coverage. For 2011, the employee portion was either \$67.46 or \$53.46 per month for a single contract, or \$122.66 or \$97.20 per month for a family contract (amounts provided are for PPO option and HSA option, respectively).

In prior years, the City began offering a Health Savings Account (HSA) alternative for its employees. The employees that participated in this program had different monthly premiums. In addition, the City fully funded the deductible for the HSA participants, \$2,500 for a single contract, and \$5,000 for a family contract. The funds were deposited directly into the participant's HSA account established with Charter One/Citizens Bank.

Medical and prescription, dental, and vision benefits are provided through CIGNA, Guardian, and Ameritas Group, respectively. Payments are made from the General Fund on a monthly basis. The expenses are allocated by the number of employees in each department multiplied by the fixed premium rate for each employee. The monthly premium for medical and prescription benefits for the traditional insurance program is \$694.78 for single coverage and \$1,887.02 for family coverage and the monthly premium for the HSA program is \$395.73 for single coverage and \$1,078.88 for family coverage. The monthly premium for dental benefits is \$32.56 for single coverage and \$89.00 for family coverage. The monthly coverage for vision benefits is \$4.62 for single coverage and \$11.00 for family coverage.

Starting in calendar year 2010, the City began its participation with the Ohio Bureau of Workers' Compensation (BWC) Retrospective Rating Plan. The plan involves the payment of a minimum premium for administrative services and stop loss coverage plus the actual claim costs for employees injured. The plan is administered by Comp Management Inc. Payments are made directly to the BWC for actual claims processed. The City's Self-Insurance internal service fund pays for all claims, claim reserves and administrative costs of the program, while the City's General Fund pays the annual premium to BWC.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

### NOTE 17: **RISK MANAGEMENT** (Continued)

The claims liability of \$35,467 reported at December 31, 2011, was estimated based on actuarial determination of future claims and claim payment trends including the settlement to the Bureau after the tenth year. The liability was based on the requirement of Governmental Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

<u>December 31,</u>	<u>Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>End of Year</u>
2010	\$ -	\$ 56,190	\$ -	\$ 56,190
2011	56,190	2,568	(23,291)	35,467

### NOTE 18: **CONTINGENT LIABILITIES**

The City is party to various legal proceedings. City management is of the opinion that ultimate settlement of the majority of such claims not covered by insurance will not result in a material adverse effect on the City's financial position.

### NOTE 19: **JOINTLY GOVERNED ORGANIZATIONS**

#### **Eastern Suburban Regional Council of Governments**

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 in accordance with a written agreement establishing ESRCOG pursuant to Ohio Revised Code Chapter 167.

The Council established one subsidiary organization, the Suburban Police Anti-Crime Network (SPAN), which provides for the mutual interchange and sharing of police personnel and police equipment to be utilized by all six (6) participating member municipalities. In 2011, all participating municipalities contributed \$102,000.

The Council adopts a budget for ESRCOG annually. Each member municipality's degree of control is limited to its representation on the Council. In 2011, the City contributed \$17,000, which represents 16.7 percent of the total contributions.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2011

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### NOTE 19: JOINTLY GOVERNED ORGANIZATIONS (Continued)

#### Mayfield Union Cemetery

The Mayfield Union Cemetery is a jointly governed organization among three local communities (the Village of Mayfield, the City of Highland Heights, and the City of 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, with one council member appointed from each of the three communities. Financial information can be obtained by contacting the Director of Finance at the Village of Mayfield, 6622 Wilson Mills Road, Mayfield Village, Ohio 44143.

### NOTE 20: REVENUE SHARING AGREEMENT

Since 1996, the City has been sharing income tax revenue with the Mayfield City School District. Several commercial properties were developed and received property tax abatements from the City through the creation of a Community Reinvestment Area (CRA) and an Enterprise Zone.

During 2011, the City disbursed \$571,691 to the School District as a result of the revenue sharing agreements.

### NOTE 21: OTHER SIGNIFICANT COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are components of fund balance for subsequent year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. As of December 31, 2011, the City's commitments for encumbrances in the governmental funds were as follows:

	<u>Encumbrances Outstanding</u>
Major Fund:	
General	\$ 53,879
Nonmajor Funds:	
Special Revenue Funds	25,978
Capital Projects Funds	<u>334,669</u>
Total	<u>\$ 414,526</u>

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# Dave Yost • Auditor of State

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

City of Mayfield Heights  
Cuyahoga County  
6154 Mayfield Road  
Mayfield Heights, Ohio 44124

To the City Council:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the City of Mayfield Heights, Cuyahoga County, Ohio (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 28, 2012, wherein we noted the City adopted the provisions of Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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 City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the City'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 28, 2012.

We intend this report solely for the information and use of management, the audit committee, City Council and others within the City. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

September 28, 2012

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# Dave Yost • Auditor of State

**CITY OF MAYFIELD HEIGHTS**

**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 8, 2012**