

CITY OF MAYFIELD HEIGHTS, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Honorable Mayor, Finance Director,
and Members of City Council
City of Mayfield Heights
6154 Mayfield Rd.
Mayfield Heights, OH 44124

We have reviewed the independent auditor's report of the City of Mayfield Heights, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Mayfield Heights is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

June 25, 2001

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CITY OF MAYFIELD HEIGHTS, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2000

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CITY OF MAYFIELD HEIGHTS
INDEX OF FUNDS

December 31, 2000

Governmental Fund Types

General Fund

General

Special Revenue Fund

Street Construction, Maintenance, and Repair
State Highway Improvement
Community Development Block Grant
Ohio Development Department Grant
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Tree Replacement
Summer Day Camp
Mobile Air Truck Maintenance
MSA
Underground Storage Tank
Street Lighting Special Assessment Operating
Police Pension and Disability
Fire Pension
Law Enforcement Trust - State
D.A.R.E. Trust
Law Enforcement Trust - Federal

Debt Service Fund

General Bond Retirement
Special Assessment Bond Retirement

Capital Projects Fund Class

Equipment Replacement
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Public Property Improvement
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CITY OF MAYFIELD HEIGHTS

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December 31, 2000

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Accrued Compensation Reserve
Self-Insurance Reserve
S.A.V.E.
Senior Van

Agency Fund

Income Tax Trust
Building Contractor Deposit
Miscellaneous Deposit
Employee Hospitalization Deduction Trust

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INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor, Finance Director,
and Members of City Council
City of Mayfield Heights, Ohio

We have audited the accompanying general purpose financial statements of the City of Mayfield Heights, Ohio, as of and for the year ended December 31, 2000. These general purpose financial statements are the responsibility of the City of Mayfield Heights, Ohio's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Mayfield Heights, Ohio, as of December 31, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated May 30, 2001 on our consideration of the City of Mayfield Heights, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

May 30, 2001

James G. Zupka
Certified Public Accountant

CITY OF MAYFIELD HEIGHTS, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (GAAP)
 DECEMBER 31, 2000

	GOVERNMENTAL FUND TYPES				FIDUCIARY	ACCOUNT GROUPS		TOTALS
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)
ASSETS								
Equity in Pooled Cash and Cash Equivalents \$	7,391,375	\$ 422,737	\$ 566,267	\$ 9,009,210	\$ 1,285,800	\$ 0	\$ 0	\$ 18,675,389
Receivables:								
Taxes	4,134,665	245,400	331,291	0	30,257	0	0	4,741,613
Accounts	28,792	5,868	0	21,816	19,357	0	0	75,833
Intergovernmental	69,533	34,384	0	152,477	0	0	0	256,394
Accrued Interest	377,279	0	2,359	12,402	0	0	0	392,040
Special Assessments	0	220,729	375,322	0	0	0	0	596,051
Due from Governments	0	0	0	0	0	0	0	0
Due from Other Funds	0	0	0	0	0	0	0	0
Inventory	16,036	5,963	0	0	0	0	0	21,999
Prepaid Items	61,263	0	0	0	0	0	0	61,263
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0	0	7,140,108	0	7,140,108
Construction in Progress	0	0	0	0	0	0	0	0
Other Debits:								
Amount Available in Debt Service Funds	0	0	0	0	0	0	568,626	568,626
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0	0	2,957,475	2,957,475
Total Assets	\$ 12,078,943	\$ 935,081	\$ 1,275,239	\$ 9,195,905	\$ 1,335,414	\$ 7,140,108	\$ 3,526,101	\$ 35,486,791

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF MAYFIELD HEIGHTS, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (GAAP)
 DECEMBER 31, 2000
 (CONTINUED)

	GOVERNMENTAL FUND TYPES				FIDUCIARY	ACCOUNT GROUPS		TOTALS
	General	Special Revenue	Debt Service	Capital Projects	FUND TYPE Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)
LIABILITIES								
Accounts Payable	\$ 139,281	\$ 64,570	\$ 0	\$ 121,401	\$ 750	\$ 0	\$ 0	\$ 326,002
Contracts Payable	0	0	0	66,405	0	0	0	66,405
Claims Payable	0	0	0	0	0	0	0	0
Accrued Wages and Benefits	117,603	13,243	0	0	0	0	0	130,846
Funds Held on Deposit Due to Other	0	0	0	0	241,191	0	0	241,191
Governments	71,921	220,211	0	0	30,257	0	0	322,389
Deferred Revenues	3,513,333	466,129	706,613	36,169	0	0	0	4,722,244
Special Assessment Bonds Payable with General Commitment	0	0	0	0	0	0	257,000	257,000
General Obligation Bonds Payable	0	0	0	0	0	0	1,705,000	1,705,000
Ohio Public Works Commission	0	0	0	0	0	0	193,599	193,599
Compensated Absences Payable	59,607	2,672	0	0	0	0	1,370,502	1,432,781
Total Liabilities	3,901,745	766,825	706,613	223,975	272,198	0	3,526,101	9,397,457
FUND EQUITY								
Investment in General Fixed Assets	0	0	0	0	0	7,140,108	0	7,140,108
Contributed Capital	0	0	0	0	0	0	0	0
Retained Earnings:								
Unreserved	0	0	0	0	0	0	0	0
Fund Balances:								
Reserved for Inventory	16,036	5,963	0	0	0	0	0	21,999
Reserved for Prepaid Items	61,263	0	0	0	0	0	0	61,263
Reserved for Encumbrances	9,625	19,790	0	223,280	0	0	0	252,695
Unreserved:								
Designated for Sick Leave Benefit	0	0	0	0	0	0	0	0
Undesignated	8,090,274	142,503	568,626	8,748,650	1,063,216	0	0	18,613,269
Total Fund Equity	8,177,198	168,256	568,626	8,971,930	1,063,216	7,140,108	0	26,089,334
Total Liabilities and Fund Equity	\$ 12,078,943	\$ 935,081	\$ 1,275,239	\$ 9,195,905	\$ 1,335,414	\$ 7,140,108	\$ 3,526,101	\$ 35,486,791

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF MAYFIELD HEIGHTS, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
 DECEMBER 31, 2000

	GOVERNMENTAL FUND TYPES				FIDUCIARY	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
REVENUES						
Local Income Taxes	\$ 8,415,171	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,415,171
Property Taxes	3,389,845	236,776	319,648	0	0	3,946,269
Other Taxes	196,285	0	0	0	0	196,285
Intergovernmental Revenue	1,440,004	442,355	51,375	785,942	0	2,719,676
Special Assessments	0	5,517	334,459	1,123	0	341,099
Charges for Services	148,678	75,483	0	431,011	0	655,172
Fines, Licenses, and Permits	328,515	625	0	0	0	329,140
Interest Income	1,098,519	0	43,420	52,079	0	1,194,018
Miscellaneous	215,887	43,907	0	273,667	37,662	571,123
Total Revenues	<u>15,232,904</u>	<u>804,663</u>	<u>748,902</u>	<u>1,543,822</u>	<u>37,662</u>	<u>18,367,953</u>
EXPENDITURES						
Current:						
Security of Persons and Property	6,262,861	490,420	0	12,938	0	6,766,219
Public Health and Welfare	125,622	0	0	0	0	125,622
Leisure Time Activities	802,013	53,753	0	1,317	0	857,083
Community Development	468,944	4,471	0	0	0	473,415
Basic Utility Services	698,015	0	0	17,325	0	715,340
Transportation	657,485	958,575	0	172,654	0	1,788,714
General Government	1,454,022	0	3,330	236,279	158,652	1,852,283
Capital Outlay	0	0	0	2,468,018	0	2,468,018
Debt Service:						
Principal Retirement	0	0	270,352	0	0	270,352
Interest and Fiscal Charges	0	0	173,280	0	0	173,280
Total Expenditures	<u>10,468,962</u>	<u>1,507,219</u>	<u>446,962</u>	<u>2,908,531</u>	<u>158,652</u>	<u>15,490,326</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,763,942	(702,556)	301,940	(1,364,709)	(120,990)	2,877,627
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Bond	0	0	0	0	0	0
Sale of Fixed Assets	0	0	0	0	0	0
Transfers In	0	805,749	0	2,360,286	300,000	3,466,035
Transfers Out	(3,250,000)	0	(216,035)	0	0	(3,466,035)
Total Other Financing Sources (Uses)	<u>(3,250,000)</u>	<u>805,749</u>	<u>(216,035)</u>	<u>2,360,286</u>	<u>300,000</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,513,942	103,193	85,905	995,577	179,010	2,877,627
Fund Balance - Beginning of Year	6,663,618	75,470	482,721	7,976,353	884,206	16,082,368
Increase (Decrease) in: Reserved for Inventory	(362)	(10,407)	0	0	0	(10,769)
Fund Balance - End of Year	<u>\$ 8,177,198</u>	<u>\$ 168,256</u>	<u>\$ 568,626</u>	<u>\$8,971,930</u>	<u>\$ 1,063,216</u>	<u>\$18,949,226</u>

The notes to the general purpose financial statements are an integral part of these statements.

CITY OF MAYFIELD HEIGHTS, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2000

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Local Income Taxes	\$ 8,459,140	\$ 8,459,150	\$ 10	\$ 0	\$ 0	\$ 0
Property Taxes	3,389,835	3,389,845	10	236,766	236,776	10
Other Taxes	202,070	202,246	176	0	0	0
Intergovernmental Revenues	1,405,605	1,405,623	18	472,282	472,277	(5)
Special Assessments	0	0	0	5,500	5,517	17
Charges for Services	150,500	149,788	(712)	74,850	75,483	633
Fines, Licenses, and Permits	326,430	326,243	(187)	625	625	0
Interest Income	902,000	902,530	530	0	0	0
Miscellaneous	214,613	214,789	176	42,982	42,126	(856)
Total Revenues	15,050,193	15,050,214	21	833,005	832,804	(201)
EXPENDITURES						
Current:						
Security of Persons and Property	6,437,642	6,318,661	118,981	562,761	543,794	18,967
Public Health and Welfare	134,811	127,157	7,654	0	0	0
Leisure Time Activities	798,575	795,128	3,447	54,650	53,763	887
Community Development	490,546	479,424	11,122	5,000	4,471	529
Basic Utility Service	696,000	695,780	220	0	0	0
Transportation	679,462	667,690	11,772	1,051,060	973,634	77,426
General Government	1,511,038	1,478,829	32,209	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Other Charges	0	0	0	0	0	0
Total Expenditures	10,748,074	10,562,669	185,405	1,673,471	1,575,662	97,809
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,302,119	4,487,545	185,426	(840,466)	(742,858)	97,608
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	0	0	0	805,750	805,749	(1)
Operating Transfers Out	(3,252,300)	(3,250,000)	2,300	0	0	0
Total Other Financing Sources(Uses)	(3,252,300)	(3,250,000)	2,300	805,750	805,749	(1)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,049,819	1,237,545	187,726	(34,716)	62,891	97,607
Fund Balance - Beginning of Year	6,004,752	6,004,752	0	301,527	301,527	0
Prior Year Encumbrances Appropriated	109,902	109,902	0	38,531	38,531	0
Fund Balance - End of Year	\$ 7,164,473	\$ 7,352,199	\$ 187,726	\$ 305,342	\$ 402,949	\$ 97,607

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

CITY OF MAYFIELD HEIGHTS, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2000
 (CONTINUED)

	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Local Income Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Property Taxes	319,634	319,648	14	0	0	0
Other Taxes	0	0	0	0	0	0
Intergovernmental Revenue	38,006	38,023	17	872,710	872,785	75
Special Assessments	334,450	334,459	9	0	1,123	1,123
Charges for Services	0	0	0	432,900	432,933	33
Fines, Licenses, and Permits	0	0	0	0	0	0
Interest Income	42,330	42,331	1	54,100	54,119	19
Miscellaneous	0	0	0	336,290	336,309	19
Total Revenues	734,420	734,461	41	1,696,000	1,697,269	1,269
EXPENDITURES						
Current:						
Security of Persons and Property	0	0	0	0	0	0
Public Health and Welfare	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Development	0	0	0	0	0	0
Basic Utility Services	0	0	0	20,200	16,077	4,123
Transportation	0	0	0	297,825	227,607	70,218
General Government	3,350	3,330	20	237,750	236,279	1,471
Capital Outlay	0	0	0	3,035,282	2,749,668	285,614
Debt Service:						
Principal Retirement	257,000	257,000	0	13,352	13,352	0
Interest and Fiscal Charges	173,280	173,280	0	0	0	0
Total Expenditures	433,630	433,610	20	3,604,409	3,242,983	361,426
Excess (Deficiency) of Revenues Over (Under) Expenditures	300,790	300,851	61	(1,908,409)	(1,545,714)	362,695
OTHER FINANCING SOURCES (USES)						
Operating Transfer In	0	0	0	2,360,000	2,360,286	286
Operating Transfers Out	(216,036)	(216,035)	1	0	0	0
Total Other Financing Sources(Uses)	(216,036)	(216,035)	1	2,360,000	2,360,286	286
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	84,754	84,816	62	451,591	814,572	362,981
Fund Balance - Beginning of Year	481,456	481,456	0	7,757,348	7,757,347	(1)
Prior Year Encumbrances Appropriated	0	0	0	214,007	214,007	0
Fund Balance - End of Year	\$ 566,210	\$ 566,272	\$ 62	\$ 8,422,946	\$ 8,785,926	\$ 362,980

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

CITY OF MAYFIELD HEIGHTS, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2000
 (CONTINUED)

	EXPENDABLE TRUST FUNDS			TOTALS (MEMORANDUM ONLY)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Local Income Taxes	\$ 0	\$ 0	\$ 0	\$ 8,459,140	\$ 8,459,150	\$ 10
Property Taxes	0	0	0	3,946,235	3,946,269	34
Other Taxes	0	0	0	202,070	202,246	176
Intergovernmental Revenue	0	0	0	2,788,603	2,788,708	105
Special Assessments	0	0	0	339,950	341,099	1,149
Charges for Services	0	0	0	658,250	658,204	(46)
Fines, Licenses, and Permits	0	0	0	327,055	326,868	(187)
Interest Income	0	0	0	998,430	998,980	550
Miscellaneous	37,660	37,662	2	631,545	630,886	(659)
Total Revenues	37,660	37,662	2	18,351,278	18,352,410	1,132
EXPENDITURES						
Current:						
Security of Persons and Property	0	0	0	7,000,403	6,862,455	137,948
Public Health and Welfare	0	0	0	134,811	127,157	7,654
Leisure Time Activities	0	0	0	853,225	848,891	4,334
Community Development	0	0	0	495,546	483,895	11,651
Basic Utility Services	0	0	0	716,200	711,857	4,343
Transportation	0	0	0	2,028,347	1,868,931	159,416
General Government	169,475	165,339	4,136	1,921,613	1,883,777	37,836
Capital Outlay	0	0	0	3,035,282	2,749,668	285,614
Debt Service:						
Principal Retirement	0	0	0	270,352	270,352	0
Interest and Other Charges	0	0	0	173,280	173,280	0
Total Expenditures	169,475	165,339	4,136	16,629,059	15,980,263	648,796
Excess (Deficiency) of Revenues Over (Under) Expenditures	(131,815)	(127,677)	4,138	1,722,219	2,372,147	649,928
OTHER FINANCING SOURCES (Uses)						
Operating Transfers In	300,000	300,000	0	3,465,750	3,466,035	285
Operating Transfers Out	0	0	0	(3,468,336)	(3,466,035)	2,301
Total Other Financing Sources (Uses)	300,000	300,000	0	(2,586)	0	2,286
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	168,185	172,323	4,138	1,719,633	2,372,147	625,514
Fund Balance - Beginning of Year	891,645	891,645	0	15,436,728	15,436,727	(1)
Prior Year Encumbrances Appropriated	0	0	0	362,440	362,440	0
Fund Balance - End of Year	\$ 1,059,830	\$ 1,063,968	\$ 4,138	\$ 17,518,801	\$ 18,171,314	\$ 652,513

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

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **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 of Mayfield Heights 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 accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups and the results of operations of the various fund types. The financial statements are presented as of December 31, 2000, and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

In evaluating how to define the governmental reporting entity, the City adopted the provision of GASB Statement No. 14, *The Financial Reporting Entity*, under which the financial statements include all the organizations, activities, functions, and component units for which the City (primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and either (1) the City’s ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

On this basis, the City’s financial reporting entity has no component units but includes all funds, account groups, agencies, boards, and commissions that are part of the primary government, including police and fire protection, waste collection, parks and recreation, health, certain social services, and general administrative services.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Reporting Entity** (Continued)

The City is associated with a certain organization which is identified as a jointly governed organization. This organization is described in Note 16. The organization is the NORMA Self Insurance Pool, Inc.. NORMA is a risk pool that provides property and liability insurance, including vehicle coverage, and provides for a formalized jointly administered self-insurance fund. NORMA is governed by a board of trustees that consists of the directors of the finance departments from each of the participating members. The City does not retain any ongoing financial interest or responsibility.

B. **Basis of Presentation**

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments.

The financial transactions of the City are recorded in individual funds and account groups. The various funds and account groups are reported by type in the general purpose financial statements. Amounts in the "Total - Memorandum Only" columns in the general purpose financial statements represent a summation of the combined groups and are presented only for analytical purposes. The summation includes fund types and account groups that use different bases of accounting, both restricted and unrestricted amounts, interfund transactions that have not been eliminated, and the caption "Amounts to be Provided", which does not represent an asset. Consequently, amounts shown in the "Total - Memorandum Only" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures/expenses of the City. The City uses the following fund categories, fund types, and account groups:

Governmental Funds

Governmental funds are accounted for on a flow on financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheet. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during a period.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Basis of Presentation** (Continued)

Governmental Funds (Continued)

General Fund - the general operating fund of the City; used to account for all revenues and expenditures except those required to be accounted for in another fund.

Special Revenue Funds - used to account for revenue from specific sources (other than major capital projects) which require separate accounting because of legal restrictions requiring that expenditures be for specified purposes.

Debt Service Fund - to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - used to account for revenues and expenditures related to the acquisition or construction of major capital facilities (other than those financed by proprietary funds) and to account for the financing of public improvements or services deemed to benefit specific properties against which assessments are levied.

Fiduciary Funds

Trust and Agency Funds - are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Basis of Presentation** (Continued)

Account Groups

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long term debt.

General Fixed Assets Account Group - used to account for capital assets used in general government operations with a useful life of greater than one year.

General Long-Term Obligations Account Group - used to account for all long-term obligations of the City. These obligations are secured by the credit of the City as a whole and are payable from general government resources or assessments against property owners.

C. **Basis of Accounting**

Governmental and fiduciary funds types are accounted for on the modified accrual basis of accounting. Governmental revenues are recognized when they become measurable and available to finance expenditures of the current period. Revenue items, which are recognized before the related cash is received and are recorded as receivables, include income taxes arising from payroll tax withholding during the year, investment income, and reimbursable-type grants. Expenditures are recognized when the related fund liability is incurred, with the exception of accumulated unpaid employee compensation which is not payable from expendable financial resources and general long-term obligations principal and interest, which are recorded when due.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available, as they are collectible within the current period or soon enough thereafter to be used to pay obligations of the current period: investment earnings, special assessments due in the current year, income taxes withheld by employers and state-levied locally shared taxes (including motor vehicle fees). Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Basis of Accounting** (Continued)

Property taxes and special assessments (in the debt service funds), though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax and special assessment receivables are recorded and deferred until they become available.

Other revenues, including licenses and permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded as revenue when the related liability is incurred except for unmatured principal and interest on general long-term debt which are recognized when paid. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

D. **Budgetary Accounting**

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.

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.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Budgetary Accounting** (Continued)

The City's budgetary process is as follows:

Budget - A tax budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 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 of the City 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.

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 March 31 and may be amended or supplemented during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. Appropriations may not exceed the estimated resources.

Budgeted Level of Expenditures - The City is required by Ohio law to establish annual appropriations for all necessary funds. These appropriations distinguish the personal services and other costs for every division and expenditures may not legally exceed the amount appropriated at this level.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Budgetary Accounting** (Continued)

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 reservation of 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.

Budgetary Basis of Accounting

The City's budget (budget basis) accounts for certain transactions on a basis which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes;
2. Expenditures are recorded when paid in cash for budget purposes as opposed to when the liability is incurred for GAAP purposes;
3. Encumbrances are recorded when paid in cash for budget purposes as opposed to reservation of fund balances for GAAP purposes;
4. Short-term note proceeds and note principal retirement for governmental funds are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Activity relating to special assessments is recorded in a Special Assessment Fund for budget purposes as opposed to the use of the Debt Service Fund, Capital Projects Fund, and the General Long-Term Debt Account Group for GAAP purposes.

CITY OF MAYFIELD HEIGHTS, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 2000
 (CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. Budgetary Basis of Accounting

A reconciliation of the results of operations for the year from the GAAP basis to the budgetary basis for governmental fund types and expendable trust fund is as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust
GAAP Basis	\$ 1,513,942	\$103,193	\$ 85,905	\$ 995,577	\$ 179,010
Increase (Decrease)					
Revenue Accruals	(182,690)	28,141	(14,441)	90,805	0
Expenditures Accruals	(55,255)	(48,653)	13,352	(48,530)	(6,687)
Encumbrance	(38,452)	(19,790)	0	(223,280)	0
Budgetary Basis	<u>\$ 1,237,545</u>	<u>\$ 62,891</u>	<u>\$ 84,816</u>	<u>\$ 814,572</u>	<u>\$ 172,323</u>

F. Cash and Cash Equivalents

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" on the combined balance sheet.

The City complies with GASB Statement 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 31, the City's investments are stated at market value, except for interest-earnings investment contracts and manuscript bonds (see Note 2).

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

F. **Cash and Cash Equivalents** (Continued)

In applying GASB 31, the City utilized the following methods and assumptions as of December 31, 2000:

The portfolio of the City was limited to nonparticipating interest-earning investment contracts and manuscript bonds. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost. Manuscript bonds are reported at fair market value.

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 31.

The gain/loss resulting from valuation will be reported within the revenue account, "Interest Income" on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

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

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund, capital projects fund, and debt service fund during fiscal year 2000 amounted to \$1,098,519, \$52,079 and \$43,420.

For presentation on the combined balance sheet, 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 COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

G. **Fixed Assets**

Fixed assets include land and land improvements, buildings, structures and improvements, vehicles, and machinery and equipment owned by the City. Infrastructure, including street, bridges, lighting systems, sewer lines, and sidewalks are not included.

Fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition and capitalized in the general fixed assets account group. Assets in the general fixed assets account group are not depreciated.

All purchased fixed assets are recorded at historical cost or estimated historical cost if actual cost information is not available. All donated fixed assets are recorded at estimated fair market value at time of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost in the general fixed asset account group.

H. **Grants and Other Intergovernmental Revenues**

State grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. Federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures/expenses are incurred. Amounts received in excess of expenditures are reflected as deferred revenue.

I. **Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. Operating subsidies are recorded as operating transfers.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

J. **Inventories**

Inventories are stated at cost, on a first-in, first-out basis. The cost is recorded as an expenditure in the fund when purchased (purchase method). In the governmental funds, reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute “available expendable resources” even though they are a component of net current assets.

K. **Compensated Absences**

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, vacation and compensatory time are accrued as liabilities when an employee’s right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the general long-term obligations account group.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 1: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

L. **Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the capital projects funds and the general long-term obligations account group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the City's debt retirement fund has been split among the appropriate funds and account groups. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

M. **Reservations of Fund Balance**

Reservations of fund balance indicate that a portion of the balance is not available for expenditure or is legally segregated for specific future use. Balances are reserved for inventories of materials and supplies, prepaid expenses, encumbrances (for governmental funds) and debt service.

N. **Total Columns on Combined Financial Statements**

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 2: **CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents, and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the City into three categories:

Category 1 consists of “active” funds - those funds required to be kept in “cash” or “near cash” status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited 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;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided 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. Interim deposits in eligible institutions applying for interim funds;
5. Bonds and other obligations of the State of Ohio;

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 2: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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
7. The State Treasury Asset Reserve of Ohio (STAROhio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons;
3. Obligation of the City.

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 expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 2: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110 % of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporations or other authority. Based upon criteria described in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, collateral held in single financial collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits

- Category 1* - Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2* - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3* - Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in the City's name).

Investments

- Category 1* - Insured or registered, with securities held by the City or its agent in the City's name.
- Category 2* - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3* - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

CITY OF MAYFIELD HEIGHTS, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 2000
 (CONTINUED)

NOTE 2: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

A. **Deposits**

At year end, the carrying amount of the City's deposits was \$18,583,389, including \$725 of cash on hand, and the bank balance was \$19,280,265. Of the bank balance, \$300,000 was fully insured by federal depository insurance. All remaining deposits were classified at Category 3. In addition, the City has \$725 petty cash on hand.

B. **Investments**

Investments as of December 31, 2000 were as follows:

	<u>Fair Value</u>
City of Mayfield Heights Special Assessment Bonds (Category 1)	\$ 92,000
Total Investments	\$ 92,000

C. **Reconciliation of Cash, Cash Equivalents, and Investments**

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3. The captions on the combined balance sheet related to cash and cash equivalents are as follows:

	<u>Cash & Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,438,389	\$ 17,237,000
Investments:		
Certificate of Deposit (with maturities more than 3 months)	17,145,000	(17,145,000)
GASB Statement No. 3	\$ 18,583,389	\$ 92,000

The City maintains a cash pool that is available for the use by all funds and accounts.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 3: **FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance January 1, 2000	Additions	Deletions	Balance December 31, 2000
Land and Land Improvements	\$ 432,885	\$ 0	\$ 0	\$ 432,885
Buildings, Structures, and Improvements	2,278,481	459,969	25,836	2,712,614
Machinery & Equipment	1,742,207	190,634	76,910	1,855,931
Vehicles	1,810,703	412,468	84,493	2,138,678
Total	<u>\$6,264,276</u>	<u>\$1,063,071</u>	<u>\$ 187,239</u>	<u>\$7,140,108</u>

NOTE 4: **INTERGOVERNMENTAL RECEIVABLES**

<u>Fund</u>	<u>Amounts</u>
<u>General Fund</u>	
Local Government Support	\$ 65,515
Liquor Permits	4,018
Total General Fund	<u>69,533</u>
<u>Special Revenue Funds</u>	
Street Maintenance	
Gasoline Tax	25,611
Motor Vehicle License Tax	6,194
	<u>31,805</u>
State Highway	
Gasoline Tax	2,077
Motor Vehicle License Tax	502
	<u>2,579</u>
Total Special Revenue Funds	<u>34,384</u>
<u>Capital Projects Funds</u>	
Equipment Replacement	
Estate Taxes	144,659
Road Improvement	
Motor Vehicle License Tax	7,818
Total Capital Projects Funds	<u>152,477</u>
Total All Funds	<u>\$ 256,394</u>

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 5: **DEFINED BENEFIT PENSION PLANS**

All of the City's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. Public Employees Retirement System

The following information was provided by PERS of Ohio to assist the City in complying with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

The City of Mayfield Heights contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand alone financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20% for state and local government divisions. The 2000 employer contribution rate for local government employer units was 10.84 percent of covered payroll, 6.54 percent to fund the pension and 4.3 percent to fund health care*. The 1999 and 1998 employer contribution rates were 13.55 percent. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 2000, 1999, and 1998 were \$368,383, \$327,765, and \$313,584, respectively, which were equal to the required contributions for each year.

*Contribution rates are determined actuarially.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 5: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year 2000 was 4.3 percent of covered payroll, which amounted to \$15,840.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75 percent. An annual increase of 4.75 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 1999 was \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 5: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. Ohio Police and Fire Pension Fund (the "OP & F" Fund)

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing, multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2000, 1999 and 1998 were \$394,931, \$366,594, and \$352,594 for police and \$410,847, \$377,060, and \$367,084 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contributions rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 5: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. Ohio Police and Fire Pension Fund (the "OP&F" Fund) (Continued)

The portion of the 2000 covered payroll that was used to fund postemployment health care benefits was \$61,575 representing 7.25 percent of covered payroll for police and \$3,371 representing 7.25 percent of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 1999, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,467 for police and 9,807 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1999 were \$95,004,633, which was net of member contributions of \$5,518,098.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 6: **LONG-TERM OBLIGATIONS**

Long-term obligations of the City, recorded in the General Long-Term Obligation Account Group, are as follows:

	Balance December 31, <u>1999</u>	Issued (Retired) <u></u>	Balance December 31, <u>2000</u>
<u>General Obligation Bonds</u>			
9.50% 1983 Service Department Garage	\$ 120,000	\$ (30,000)	\$ 90,000
6.80%-7.60% 1989 Municipal Building Improvement	1,760,000	(145,000)	1,615,000
Total General Obligation Bonds	<u>1,880,000</u>	<u>(175,000)</u>	<u>1,705,000</u>
<u>Special Assessment Bonds Payable with General Commitment</u>			
9.50% 1983 Woodhawk Drive Improvements	220,000	(55,000)	165,000
6.25% 1993 Ashcroft Drive Improvements	42,000	(11,000)	31,000
7.50% 1991 Marsol Road Improvements	15,000	(7,000)	8,000
6.5% 1992 Catalano Road Improvements	12,000	(4,000)	8,000
5.0% 2000 Aldenham Drive Improvements	50,000	(5,000)	45,000
Total Special Assessment Bonds Payable with General Commitment	<u>339,000</u>	<u>(82,000)</u>	<u>257,000</u>
<u>Other Long-Term Obligations</u>			
Accrued Sick Leave	1,263,327	107,175	1,370,502
OPWC Loan Payable	206,951	(13,352)	193,599
Total Other Long-Term Obligations	<u>1,470,278</u>	<u>93,823</u>	<u>1,564,101</u>
Total All Long-Term Obligations	<u><u>\$ 3,689,278</u></u>	<u><u>\$ (163,177)</u></u>	<u><u>\$ 3,526,101</u></u>

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 6: **LONG-TERM OBLIGATIONS** (Continued)

Outstanding general obligation bonds consist of building improvements which are payable from general property taxes.

Outstanding special assessment bonds consist of street and sewer improvements which are payable from the proceeds of tax assessments against individual property owners.

Outstanding manuscript bonds consist of street improvements. Manuscript bonds are direct obligations of the City for which its full faith, credit, and resources are pledged and are payable from special assessments levied.

Principal and Interest Requirements

A summary of the City's future long-term debt requirements, including principal and interest payments as of December 31, 2000 follows:

<u>Years</u>	<u>General Obligation Bond</u>		<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2001	\$ 185,000	\$ 131,290	\$ 55,000	\$ 15,675
2002	195,000	116,660	55,000	10,450
2003	210,000	102,457	55,000	5,225
2004	190,000	84,740	0	0
2005	185,000	61,240	0	0
2006-2010	740,000	120,780	0	0
2011-Thereafter	0	0	0	0
Totals	<u>\$ 1,705,000</u>	<u>\$ 617,167</u>	<u>\$ 165,000</u>	<u>\$ 31,350</u>

<u>Years</u>	<u>Manuscript Bonds</u>		<u>OPWC</u>	<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Loan</u>	<u>Principal</u>	<u>Interest</u>
2001	\$ 28,000	\$ 5,307	\$ 13,352	\$ 281,352	\$ 152,272
2002	19,000	3,510	13,352	282,352	130,620
2003	15,000	2,375	13,352	293,352	110,057
2004	5,000	1,500	13,352	208,352	86,240
2005	5,000	1,500	13,352	203,352	62,740
2006-2010	20,000	2,250	66,758	826,758	123,030
2011-Thereafter	0	0	60,081	60,081	0
Totals	<u>\$ 92,000</u>	<u>\$ 16,442</u>	<u>\$ 193,599</u>	<u>\$ 2,155,599</u>	<u>\$ 664,959</u>

CITY OF MAYFIELD HEIGHTS, OHIO
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 2000
 (CONTINUED)

NOTE 7: **RESTATEMENT OF BEGINNING FUND BALANCE**

Beginning cash balance of the Capital Projects Fund was understated by \$611,582 and beginning cash balance of the Debt Service Fund was overstated by \$611,582 due to expenditures being paid out of the Capital Projects Fund rather than the Debt Service Fund. As a result, a reclass entry has been made to correct cash and restate beginning fund balances. Based on this restatement, beginning fund balance of the Capital Projects Fund increased by \$611, 582 and beginning fund balance of the Debt Service Fund decreased by \$611,582.

NOTE 8: **ACCUMULATED UNPAID EMPLOYEE BENEFITS AND OVERTIME**

City employees generally earn vacation ranging from two to five weeks based on length of service and sick leave of 15 days per year. Vacation and sick leave accumulate on a monthly basis and are fully vested when earned. Normally, all vacation time is to be taken in the year available unless written approval for carryover of vacation is obtained. Employees receive at retirement or death one-half of their first 1,000 hours, then one-third of anything over 1,000 hours.

Employees are entitled to receive payments in cash for their accumulated hours upon retirement or termination from the City after 10 years of service at their current rate.

A summary of employee benefit obligations (calculated in accordance with GASB Statement No. 16) at December 31, 2000 is as follows:

	<u>Government Fund Types</u>
Vacation	\$ 378,604
Sick Pay	991,898
	\$1,370,502
	\$1,370,502

Government fund type liabilities are recorded in the General Long-Term Debt Account Group. The liability above excludes the amount of \$62,279 which was paid within the available period, which is reflected as a fund liability in the respective funds.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 9: **INCOME TAXES**

The locally levied tax of 1 percent applies to gross salaries, wages, and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City.

Employers within the City are required to withhold income tax on employee compensation and remit this tax to an intermediary collection agency (Regional Income Tax Agency) at least quarterly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the collection agency. The collection agency remits tax collected for the City each month, net of a fee for their service.

NOTE 10: **PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Presently, the City levies 10 mills of assessed value per City Charter. A reevaluation of all property is required to be completed no less than every six years, with a statistical update every third year. The last reevaluation was completed in 1994.

Real property taxes, excluding public utility property, are all assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	January 20 and June 20 of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

Tangible personal property taxes are based on assessed value determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. For the collection year 2000, the percentage used to determine taxable value of personal property and inventory was 25 percent. Pertinent tangible personal property tax dates are:

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 10: **PROPERTY TAXES** (Continued)

Collection Dates	April 30 and September 30 of the current year
Lien Date	January 1 of the current year
Levy Date	October 1 of the year preceding the collection year

Public utility tangible personal property currently is assessed at 100 percent of its true value except for rural electric companies (50 percent) and railroads (25 percent). Pertinent public utility tangible personal property tax dates are:

Collection Dates	January 20 and June 20 of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the City its portion of the taxes collected.

The full property tax rate for all City operations for the year ended December 31, 2000 was \$10.00 per \$1,000 of assessed value. The assessed value upon which the 2000 tax receipts were based was \$437,636,454. This amount constitutes \$387,732,670 in real property assessed value, \$12,808,630 in public utility assessed value and \$37,095,159 in tangible personal property assessed value.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes which are measurable at December 31, 2000. These taxes are intended to finance the next fiscal year's operations and are therefore offset by a credit to deferred revenue. Taxes receivable at December 31, 2000 amounted to \$3,513,333 in the general fund, \$245,400 in the special revenue funds, and \$331,291 in the debt service funds.

NOTE 11: **CONTINGENCIES AND COMMITMENTS**

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

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 12: **CONSTRUCTION AND OTHER COMMITMENTS**

As of December 31, 2000, the City had an unpaid commitment of \$266,300 with respect to street repairs and resurfacing. Of this amount, \$66,405 is recorded as contracts/retainage payable in the Capital Projects Fund.

The City had no material operating lease commitments at December 31, 2000.

NOTE 13: **FUND EQUITY**

Reservations of fund balances of governmental funds are to satisfy legal covenants that require a portion of the fund balance to be segregated or to identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Reserved for encumbrances - This reserve represents encumbrances outstanding at the end of the year based upon purchase orders and contracts signed by the City but not completed as of the close of the fiscal year.

Reserved for inventory - This reserve was created to represent the portion of the fund balance that is not available for expenditures because the City expects to use these resources within the next budgetary period.

Reserved for prepaid items - This reserve was created to represent the portion of the fund balance that is not available for expenditures because the City expects to use these resources within the next budgetary period.

Reserved for debt service - This reserve was created to segregate a portion of the fund balance that will be used for debt service, including both principal and interest payment.

NOTE 14: **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; or acts of God. In October 1987, the City joined together with other neighboring cities to form the NORMA, a not-for-profit corporation, for the purpose of obtaining property, liability and vehicle insurance and providing for a formalized, jointly administered self insurance fund. The City pays an annual premium to NORMA for its insurance coverage. The agreement for 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. This coverage is maintained through the general fund.

CITY OF MAYFIELD HEIGHTS, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(CONTINUED)

NOTE 14: **RISK MANAGEMENT** (Continued)

Claims have not exceeded coverage provided by NORMA in any of the last three years. 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.

The City also purchases insurance coverage from Medical Mutual of Ohio to provide employee health benefits.

NOTE 15: **JOINTLY GOVERNED ORGANIZATIONS**

NORMA Self-Insurance Pool, Inc.

NORMA is a shared risk pool comprised of the cities of Bedford Heights, Chagrin Falls, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, and South Euclid. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, 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 directors of the finance departments from each of the participating members.

Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of Eastlake and Solon whose commencement date is October 1, 1989, Maple Heights whose commencement date is October 1, 1993, and Hudson whose commencement date is October, 1995. After the initial three years, each City may extend its term in three-year increments.

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 \$150,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop loss coverage carried by the pool. Any losses over these amounts would be covered by the pool's excess insurance coverage which is \$10 million aggregate. 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 2000, the City of Mayfield Heights paid \$99,620 in premiums and loss fund contributions. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio 44146.

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Ohio Society of Certified Public Accountants

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

Honorable Mayor, Finance Director, and
Members of City Council
City of Mayfield Heights, Ohio

We have audited the general purpose financial statements of the City of Mayfield Heights, Ohio (the City), as of and for the year ended December 31, 2000, and have issued our report thereon dated May 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.* The results of our tests disclosed immaterial instances of noncompliance that is required to be reported under Government Auditing Standards which we have reported to the management of the City of Mayfield Heights, Ohio, in a separate letter dated May 30, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

*The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated May 30, 2001.

This report is intended for the information and use of the audit committee, members of City Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

May 30, 2001

James G. Zupka
Certified Public Accountant

CITY OF MAYFIELD HEIGHTS, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000

The prior audit report, as of December 31, 1999, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit report.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JULY 10, 2001**