



Dave Yost • Auditor of State



**CITY OF MAYFIELD HEIGHTS  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position .....	11
Statement of Activities .....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund .....	17
Statement of Net Position – Proprietary Fund .....	18
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund .....	19
Statement of Cash Flows – Proprietary Fund.....	20
Statement of Fiduciary Net Position – Fiduciary Funds .....	21
Notes to the Basic Financial Statements .....	23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	59

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the City Council

### ***Report on the Financial Statements***

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 25, 2013

# City of Mayfield Heights, Ohio

## Management's Discussion and Analysis (Unaudited) For the Year Ended December 31, 2012

---

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, 2012. 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 increased from \$59,762,783 to \$67,965,322, a total increase of \$8,202,539. This can mainly be attributed to capital contributions for the Mayfield Road project being added to the City's capital assets.

Total liabilities and deferred inflows of resources of the City decreased from \$13,394,340 to \$11,824,514, a total decrease of \$1,569,826. 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 position increased from \$46,368,443 to \$56,140,808, a total increase of \$9,772,365. This is a increase of 21.08 percent. See the above explanations on total assets and total liabilities and deferred inflows of resources as to explain why net position increased.

### 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 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 Position 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, 2012

---

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

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

The Statement of Net Position presents information, excluding Fiduciary Funds, on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, an increase or decrease in net position 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 Position 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 Position and the Statement of Activities are divided into the following categories:

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position
- Program Revenue and Expenses
- General Revenues
- Net Position 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, 2012

---

### *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 Position 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, 2012

### The City of Mayfield Heights as a Whole

#### *Government-wide Financial Analysis*

As noted earlier, the Statement of Net Position looks at the City as a whole and can be used as an indicator of the City's financial position. The Statement of Net Position in Table 1 provides a summary of the City's net position for 2012 compared to 2011.

**Table 1 - Net Position**

	Governmental Activities	
	2012	2011
<b><u>Assets</u></b>		
Current and Other Assets	\$ 26,977,879	\$ 26,656,205
Capital Assets	40,987,443	33,106,578
<b>Total Assets</b>	<b>67,965,322</b>	<b>59,762,783</b>
<b><u>Liabilities</u></b>		
Other Liabilities	1,067,072	1,426,873
Long-term Liabilities	6,106,350	7,162,153
<b>Total Liabilities</b>	<b>7,173,422</b>	<b>8,589,026</b>
<b><u>Deferred Inflows of Resources</u></b>		
Property Taxes	4,651,092	4,805,314
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	37,552,161	28,692,694
Restricted	1,163,908	1,290,581
Unrestricted	17,424,739	16,385,168
<b>Total Net Position</b>	<b>\$ 56,140,808</b>	<b>\$ 46,368,443</b>

Total assets for the City are \$67,965,322. The largest portion of the City's assets is in capital assets totaling \$40,987,443, which represents 60.31 percent of the total.

Total liabilities and deferred inflows of resources for the City are \$7,173,422 and 4,651,092, respectively. The most significant long-term liabilities are the Municipal Complex Bond Anticipation Notes payable for \$1,875,000 and the City's compensated absences liability for \$2,633,519. Property taxes, for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations, have been recorded as deferred inflows of resources.

## City of Mayfield Heights, Ohio

### Management's Discussion and Analysis (Unaudited) For the Year Ended December 31, 2012

Total net position for the City is \$56,140,808. The most significant components of the net position are represented by unrestricted net position of \$17,424,739 and the net investment in capital assets of \$37,552,161, which represents 31.04 percent and 66.89 percent of the total, respectively.

Table 2 shows the changes in Net Position for the years ended December 31, 2012 and December 31, 2011, and corresponds to the Statement of Activities on page 12.

**Table 2 - Change in Net Position**

	Governmental Activities	
	2012	2011
<b><u>Revenues</u></b>		
Program Revenues:		
Charges for Services	\$ 1,846,112	\$ 2,181,529
Operating Grants and Contributions	730,580	661,763
Capital Grants and Contributions	10,325,375	236,859
General Revenues:		
Property Taxes	5,155,282	4,649,180
Income Taxes	13,424,764	11,942,125
Other Taxes	275,168	270,182
Grants and Entitlements not Restricted to Specific Programs	1,505,947	2,360,952
Other	211,613	326,707
<b>Total Revenues</b>	<b>33,474,841</b>	<b>22,629,297</b>
<b><u>Program Expenses</u></b>		
Security of Persons and Property	11,513,233	11,430,727
Public Health Services	336,586	391,154
Leisure Time Activities	1,665,724	1,622,867
Community Environment	917,816	874,086
Basic Utility Services	1,063,187	937,839
Transportation	5,031,787	4,976,782
General Government	3,146,980	2,509,031
Interest and Fiscal Charges	27,163	40,500
<b>Total Program Expenses</b>	<b>23,702,476</b>	<b>22,782,986</b>
Increase in Net Position	9,772,365	(153,689)
Net Position, Beginning of Year	46,368,443	46,522,132
<b>Net Position, End of Year</b>	<b>\$ 56,140,808</b>	<b>\$ 46,368,443</b>

Total revenue increased in 2012 over 2011 by \$10,845,544, or an increase of 47.93 percent. The increase is mainly attributed to increases in income taxes and capital grants and contributions. The increase in income taxes of \$1,482,639 or 12.42 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, 2012

---

The significant increase in capital grants and contributions of \$10,088,516 is mainly contributed to the 2012 completion of the Mayfield Road construction project with Federal and State agencies contributing their share of the construction project to the City.

Total program expenses increased overall by \$919,490, a percentage of 4.04 percent. General government expense had the most significant increase of \$637,949 or 25.43, and was mainly due to the additional repairs and maintenance contracts entered into by the City for various general government departments.

### 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 2012, the City's revenue from income tax increased from \$11,942,125 in 2011 to \$13,424,764.

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 2012 was \$568,383,810 and has been certified at \$549,335,470 for the 2013 collection year. While this revenue source is not as significant as the income tax, the duplicate's decreases have impacted by the revaluation process that was completed by Cuyahoga County in 2012.

### 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 \$25,894,221 and expenditures of \$25,605,384 (including other financing sources and uses). The most significant fund is the General Fund with a year end fund balance of \$11,635,325, which included an assigned and unassigned fund balance of \$11,173,158 compared to expenditures of \$17,886,765, not including \$1,096,500 that was transferred from the General Fund to help finance various special revenue funds.

# City of Mayfield Heights, Ohio

## Management's Discussion and Analysis (Unaudited) For the Year Ended December 31, 2012

### *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.

The City's original conservative revenue estimate of \$18,729,300 was lower than the final estimate of \$20,201,688, due mainly to an increase in the estimate of income taxes. The original expenditure budget of \$17,465,596 was increased by several amended appropriations to a total of \$18,094,671, for an increase of \$629,075.

### **Capital Assets and Debt Administration**

The City's investment in capital assets as of December 31, 2012, amounts to \$40,987,443 (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	
	2012	2011
Land	\$ 3,024,620	\$ 3,024,620
Construction-in-progress	0	6,435,556
Land Improvements	200,453	232,169
Buildings	5,921,972	6,158,123
Machinery and Equipments	577,825	637,767
Furniture and Fixtures	191,924	225,637
Vehicles	1,308,542	1,394,457
Infrastructures:		
Roads	19,807,553	6,266,999
Water Mains	1,001,481	679,493
Sanitary Sewers	7,337,820	6,380,974
Storm Sewers	1,615,253	1,670,783
<b>Total Capital Assets</b>	<b>\$ 40,987,443</b>	<b>\$ 33,106,578</b>

Total capital assets for governmental activities of the City for 2012 were \$40,987,443, an increase of \$7,880,865 from 2011. The reason for this increase can be attributed to the capital asset contributions from Federal and State agencies for the Mayfield Road project.

# City of Mayfield Heights, Ohio

## Management's Discussion and Analysis (Unaudited) For the Year Ended December 31, 2012

Refer to Note 10 of the basic financial statements for more detail on capital asset activity.

### Long-Term Obligations

As of December 31, 2012, the City had \$3,435,282 in long-term notes and OPWC loans outstanding with \$53,602 due in a year (see Note 14 for further detail).

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

	Governmental Activities	
	2012	2011
Long-Term Bond Anticipation Notes	\$ 1,875,000	\$ 2,800,000
OPWC Loans	1,560,282	1,613,884
<b>Total Outstanding Debt</b>	<b>\$ 3,435,282</b>	<b>\$ 4,413,884</b>

As of December 31, 2012, the City had no outstanding general obligation bonds. The amount of long-term (based on maturity dates) general obligation bond anticipation notes is \$1,875,000. 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 Position December 31, 2012

	Governmental Activities
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 4,399,296
Investments	11,896,235
Materials and Supplies Inventory	66,512
Accounts Receivable	392,405
Accrued Interest Receivable	20,803
Intergovernmental Receivable	986,394
Prepaid Items	100,216
Income Taxes Receivable	3,600,759
Property Taxes Receivable	5,491,575
Special Assessments Receivable	23,684
Nondepreciable Capital Assets	3,024,620
Depreciable Capital Assets	37,962,823
<b>Total Assets</b>	<u>67,965,322</u>
<b>LIABILITIES</b>	
Accounts Payable	271,047
Contracts Payable	7,257
Accrued Wages and Benefits	245,057
Intergovernmental Payable	537,461
Accrued Interest Payable	6,250
Long-term Liabilities:	
Due within one year	1,044,289
Due in more than one year	5,062,061
<b>Total Liabilities</b>	<u>7,173,422</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes	4,651,092
<b>Total Deferred Inflows of Resources</b>	<u>4,651,092</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	37,552,161
Restricted for:	
Debt Service	657,944
Other Purposes	505,964
Unrestricted	17,424,739
<b>Total Net Position</b>	<u>\$ 56,140,808</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, 2012

<u>Functions</u>	<u>Expenses</u>	Program Revenues			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government:</b>					
Governmental Activities:					
Security of Persons and Property	\$11,513,233	\$ 932,521	\$ 61,869	\$ -	\$ (10,518,843)
Public Health Services	336,586	-	-	-	(336,586)
Leisure Time Activities	1,665,724	201,142	-	220,488	(1,244,094)
Community Environment	917,816	400,588	1,638	6,356	(509,234)
Basic Utility Services	1,063,187	2,723	-	-	(1,060,464)
Transportation	5,031,787	10,355	667,073	10,098,531	5,744,172
General Government	3,146,980	298,783	-	-	(2,848,197)
Interest and Fiscal Charges	27,163	-	-	-	(27,163)
Total Governmental Activities	<u>\$23,702,476</u>	<u>\$ 1,846,112</u>	<u>\$ 730,580</u>	<u>\$10,325,375</u>	<u>(10,800,409)</u>
<b>General Revenues:</b>					
Property Taxes levied for:					
General Purposes					4,080,934
Debt Service Purpose					765,030
Other Purposes					309,318
Income Taxes levied for:					
General Purposes					13,424,764
Other Taxes					275,168
Grants & Entitlements not restricted to specific programs					1,505,947
Investment Income					143,354
All Other Revenues					68,259
Total General Revenues					<u>20,572,774</u>
Change in Net Position					<u>9,772,365</u>
Net Position - Beginning of Year					<u>46,368,443</u>
<b>Net Position - End of Year</b>					<b><u>\$ 56,140,808</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, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 102,526	\$ 4,099,967	\$ 4,202,493
Investments	9,179,345	2,716,890	11,896,235
Materials and Supplies Inventory	59,382	7,130	66,512
Accrued Interest Receivable	19,293	1,510	20,803
Accounts Receivable	391,115	1,290	392,405
Intergovernmental Receivable	584,511	401,883	986,394
Prepaid Items	87,622	12,594	100,216
Income Taxes Receivable	3,600,759	-	3,600,759
Property and Other Taxes Receivable	4,401,078	1,090,497	5,491,575
Special Assessments Receivable	-	23,684	23,684
<b>Total Assets</b>	<b>18,425,631</b>	<b>8,355,445</b>	<b>26,781,076</b>
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 18,425,631</b>	<b>\$ 8,355,445</b>	<b>\$ 26,781,076</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 226,124	\$ 44,923	\$ 271,047
Accrued Wages and Benefits	215,988	29,069	245,057
Contracts Payable	-	7,257	7,257
Intergovernmental Payable	371,670	165,791	537,461
<b>Total Liabilities</b>	<b>813,782</b>	<b>247,040</b>	<b>1,060,822</b>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	3,725,846	925,246	4,651,092
Unavailable Revenue - Delinq. Prop. Taxes	660,999	165,251	826,250
Unavailable Revenue - Income Taxes	925,734	-	925,734
Unavailable Revenue - Other	663,945	318,972	982,917
<b>Total Deferred Inflows of Resources</b>	<b>5,976,524</b>	<b>1,409,469</b>	<b>7,385,993</b>
<b>Fund Balances:</b>			
Nonspendable	147,004	19,724	166,728
Restricted	-	1,782,790	1,782,790
Committed	315,163	5,026,206	5,341,369
Assigned	594,840	-	594,840
Unassigned	10,578,318	(129,784)	10,448,534
<b>Total Fund Balances</b>	<b>11,635,325</b>	<b>6,698,936</b>	<b>18,334,261</b>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>	<b>\$ 18,425,631</b>	<b>\$ 8,355,445</b>	<b>\$ 26,781,076</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 Position of Governmental Activities December 31, 2012

---

<b>Total Governmental Fund Balances</b>	\$ 18,334,261
---	---------------

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

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.	40,987,443
---	------------

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenues in the funds:

Property taxes	826,250	
Municipal income taxes	925,734	
Special assessments	23,684	
Intergovernmental	752,573	
Charges for services	206,660	
Total	<u>2,734,901</u>	2,734,901

In the Statement of Activities, interest is accrued on outstanding debt, whereas in Governmental funds, an interest expenditure is reported when due.	(6,250)
---	---------

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 Position.	159,254
--	---------

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	(1,560,282)	
Bond anticipation notes	(1,875,000)	
Compensated absences	(2,633,519)	
Total	<u>(6,068,801)</u>	(6,068,801)

<b>Net Position of Governmental Activities</b>	<u><u>\$ 56,140,808</u></u>
--	-----------------------------

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, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 3,904,532	\$ 1,037,913	\$ 4,942,445
Income Taxes	13,000,364	-	13,000,364
Other Taxes	159,137	116,031	275,168
Intergovernmental	1,487,986	915,363	2,403,349
Investment Income	130,351	13,003	143,354
Fines, Licenses and Permits	646,959	-	646,959
Charges for Services	1,055,864	281,282	1,337,146
Contributions and Donations	950	-	950
Special Assessments	1,397	2,304	3,701
All Other Revenues	95,132	56,893	152,025
<b>Total Revenues</b>	<b>20,482,672</b>	<b>2,422,789</b>	<b>22,905,461</b>
<b>EXPENDITURES</b>			
Security of Persons and Property	10,924,225	523,221	11,447,446
Public Health Services	336,586	-	336,586
Leisure Time Activities	1,493,044	214,855	1,707,899
Community Environment	886,886	6,355	893,241
Basic Utility Services	715,413	1,842	717,255
Transportation	1,127,103	2,392,915	3,520,018
General Government	2,403,508	597,916	3,001,424
Debt Service:			
Principal Retirement	-	978,602	978,602
Interest and Fiscal Charges	-	31,413	31,413
<b>Total Expenditures</b>	<b>17,886,765</b>	<b>4,747,119</b>	<b>22,633,884</b>
Excess of Revenues Over (Under) Expenditures	<b>2,595,907</b>	<b>(2,324,330)</b>	<b>271,577</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Sale of Capital Assets	400	16,860	17,260
Notes Issued	-	1,875,000	1,875,000
Current Refunding	-	(1,875,000)	(1,875,000)
Transfers In	-	1,096,500	1,096,500
Transfers Out	(1,096,500)	-	(1,096,500)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,096,100)</b>	<b>1,113,360</b>	<b>17,260</b>
Net Change in Fund Balances	1,499,807	(1,210,970)	288,837
Fund Balances - Beginning of Year	10,135,186	7,936,971	18,072,157
Increase (Decrease) in Inventory	332	(27,065)	(26,733)
<b>Fund Balances - End of Year</b>	<b>\$ 11,635,325</b>	<b>\$ 6,698,936</b>	<b>\$ 18,334,261</b>

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, 2012

**Net Change in Fund Balances - Total Governmental Funds** \$ 288,837

*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	258,050	
Capital Contribution	10,098,531	
Depreciation	<u>(2,444,501)</u>	
Total		7,912,080

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. (31,215)

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

Property taxes	212,837	
Municipal income taxes	424,400	
Special assessments	(1,289)	
Intergovernmental	(161,803)	
Charges for services	<u>(3,296)</u>	
Total		470,849

Other financing sources in the Governmental funds that increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of bond anticipation notes. (1,875,000)

Repayment of bond and note principal are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 2,853,602

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	79,283	
Change in inventory	(26,733)	
Accrued interest	<u>4,250</u>	
Total		56,800

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. 96,412

**Change in Net Position of Governmental Activities** \$ 9,772,365

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$ 4,188,489	\$ 3,904,700	\$ 3,904,532	\$ (168)
Income Taxes	11,037,288	12,361,295	12,326,454	(34,841)
Other Taxes	137,505	154,000	157,615	3,615
Charges for Services	882,801	988,700	1,017,318	28,618
Fines, Licenses and Permits	540,556	605,400	651,809	46,409
Intergovernmental	1,720,868	1,927,300	1,885,362	(41,938)
Investment Income	139,291	156,000	158,892	2,892
Contributions and Donations	893	1,000	950	(50)
All Other Revenues	81,609	103,293	98,457	(4,836)
<b>Total Revenues</b>	<u>18,729,300</u>	<u>20,201,688</u>	<u>20,201,389</u>	<u>(299)</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	10,804,532	11,048,832	10,744,949	303,883
Public Health Services	382,167	385,167	341,438	43,729
Leisure Time Activities	1,318,014	1,417,414	1,352,761	64,653
Community Environment	629,363	690,963	680,287	10,676
Basic Utility Services	709,000	717,000	713,053	3,947
Transportation	1,109,161	1,133,161	1,075,361	57,800
General Government	2,513,359	2,702,134	2,523,132	179,002
<b>Total Expenditures</b>	<u>17,465,596</u>	<u>18,094,671</u>	<u>17,430,981</u>	<u>663,690</u>
Excess of Revenues Over (Under) Expenditures	<u>1,263,704</u>	<u>2,107,017</u>	<u>2,770,408</u>	<u>663,391</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	-	-	400	400
Transfers Out	(1,790,000)	(1,790,000)	(1,636,500)	153,500
Advances In	231,900	231,900	231,900	-
<b>Total Other Financing Sources (Uses)</b>	<u>(1,558,100)</u>	<u>(1,558,100)</u>	<u>(1,404,200)</u>	<u>153,900</u>
Net Change in Fund Balance	(294,396)	548,917	1,366,208	817,291
Fund Balance - Beginning of Year	7,264,448	7,264,448	7,264,448	-
Prior Year Encumbrances Appropriated	192,875	192,875	192,875	-
Fund Balance - End of Year	<u>\$ 7,162,927</u>	<u>\$ 8,006,240</u>	<u>\$ 8,823,531</u>	<u>\$ 817,291</u>

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

# City of Mayfield Heights, Ohio

## Statement of Net Position Proprietary Fund December 31, 2012

---

	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 196,803
<b>Total Assets</b>	<u>196,803</u>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Claims Payable	19,621
<b>Noncurrent Liabilities:</b>	
Claims Payable	17,928
<b>Total Liabilities</b>	<u>37,549</u>
<b>NET POSITION</b>	
Unrestricted	159,254
<b>Total Net POSITION</b>	<u>\$ 159,254</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 Net Position Proprietary Fund For the Year Ended December 31, 2012

---

	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 120,000
<b>Total Operating Revenues</b>	<u>120,000</u>
<b>OPERATING EXPENSES</b>	
Claims	<u>23,588</u>
<b>Total Operating Expense</b>	<u>23,588</u>
Change in Net Position	96,412
Net Position - Beginning of Year	<u>62,842</u>
<b>Net Position - End of Year</b>	<u><u>\$ 159,254</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, 2012

---

	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Interfund Services Provided	\$ 120,000
Cash Payments for Claims	(21,506)
Net Cash Provided by Operating Activities	<u>98,494</u>
Net Increase (Decrease) in Cash and Cash Equivalents	98,494
Cash and Cash Equivalents - Beginning of Year	98,309
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 196,803</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	\$ 96,412
Adjustments:	
Increase (Decrease) in Liabilities:	
Claims Payable	2,082
Net Cash Provided by Operating Activities	<u><u>\$ 98,494</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 Position

### Fiduciary Funds

December 31, 2012

---

	<u>Agency Funds</u>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 390,011
Cash and Cash Equivalents: in Segregated Accounts	<u>13,605</u>
<b>Total Assets</b>	<u><u>\$ 403,616</u></u>
<b>LIABILITIES</b>	
Deposits Held and Due to Others	<u>\$ 403,616</u>
<b>Total Liabilities</b>	<u><u>\$ 403,616</u></u>

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

**This page is intentionally left blank**

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements For the Year Ended December 31, 2012

---

### 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 18 to the basic financial statements. The City is also associated with an organization defined as a risk sharing pool (Notes 15 and 16). During 2012, the City joined the Community Partnership on Aging Council of Governments which has been defined as a joint venture as presented in Note 19.

### 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.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

### 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 position 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 position 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 position 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, 2012

---

### 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 and deferred outflows of resources are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows compared to liabilities and deferred inflows of resources 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 position, 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 position and changes in net position. 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, 2012

---

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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

***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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 deferred outflows of resources along with all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. 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 outflows/inflows of resources, and the presentation of expenses versus expenditures.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

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

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

**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.

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 7). 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 Outflows/Inflows of Resources** - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City did not have any deferred outflows of resources as of December 31, 2012.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, intergovernmental grants and entitlements, special assessments, and charges for services. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

*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.

#### 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 6).

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of December 31, 2012:

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



## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

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

##### E. **Cash, Cash Equivalents, and Investments** (Continued)

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 2012 amounted to \$130,351, which includes \$48,697 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.

##### 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, 2012 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.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

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

#### 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 position 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:

<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.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

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

##### 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.

##### 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.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

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

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

*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.

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 Position**

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position 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. The restricted component of net position is reported 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 other governments. The City has no component of net position which is restricted by enabling legislation. Net position that is 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 position are available.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

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

#### 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 2012.

#### 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.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

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

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

**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.

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.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

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

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

**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.

#### NOTE 3: **CHANGES IN ACCOUNTING PRINCIPLES**

GASB Statement Number 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011 and have been implemented by the City.

GASB Statement Number 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the City.

GASB Statement Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the City.

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the City.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

### NOTE 3: **CHANGES IN ACCOUNTING PRINCIPLES** (Continued)

GASB Statement Number 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011 and have been implemented by the City.

GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the City.

### NOTE 4: **ACCOUNTABILITY**

Fund balance at December 31, 2012 included the following individual fund deficits:

#### Nonmajor Special Revenue Funds:

Police Pension Fund	\$ 64,892
Fire Pension Fund	<u>64,892</u>
Total	<u>\$ 129,784</u>

The deficits in the 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.



# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

### NOTE 5: 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).

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	\$ 1,499,807
Increase (Decrease) Due to:	
Revenue Accruals	(279,886)
Advances In	231,900
Expenditure Accruals	(103,105)
Funds with Separate Legally Adopted Budgets	152,926
Net Impact of Encumbrances	<u>(135,434)</u>
Budgetary Basis	<u>\$ 1,366,208</u>

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

#### NOTE 6: 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;
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

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

#### NOTE 6: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

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.

#### A. **Cash on Hand**

At December 31, 2012, 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, 2012, the carrying amount of the City's deposits was \$4,800,562. Based on criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, as of December 31, 2012, \$2,650,832 of the City's bank balance was covered by Federal Depository Insurance and \$2,468,130 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.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

NOTE 6: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

#### 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, 2012, fair value was \$11,767 above the City's net cost for investments. At December 31, 2011, fair value was \$25,439 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.

#### 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.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

NOTE 6: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

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	\$ 11,896,235	Aaa/AA+	\$ 450,202	\$ 11,446,033
Carrying Amount of Deposits	4,800,562			
Petty Cash	2,350			
Total	\$ 16,699,147			

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

NOTE 7: **RECEIVABLES**

Receivables at December 31, 2012, 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 and public utility tangible personal property located in the City. Property tax revenue received during 2012 for real and public property taxes represents collections of 2011 taxes. Property tax payments received during 2012 for tangible personal property (other than public utility property) are for 2012 taxes.

2012 real property taxes are levied after October 1, 2012 on the assessed value as of January 1, 2012, the lien date. Assessed values are established by the State law at 35 percent of appraised market values. 2012 real property taxes are collected in and intended to finance 2013 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. 2012 public utility property taxes which became a lien at December 31, 2011 are levied after October 1, 2012, and are collected in 2013 with real property taxes.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

### NOTE 7: **RECEIVABLES** (Continued)

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

The full tax rate for all City operations for the year ended December 31, 2012 was \$10.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

Real Property	\$ 561,669,120
Public Utility Tangible Property	<u>6,714,690</u>
Total	<u>\$ 568,383,810</u>

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 public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2012, 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 inflows of resources since the current taxes were not levied to finance 2012 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, 2012

NOTE 7: **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, 2012, 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 \$23,684. At December 31, 2012, the amount of delinquent special assessments was \$2,898.

### 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	\$ 247,603
Estate Tax	135,732
Gasoline/Motor Vehicle License/Permissive Taxes	340,689
Homestead and Rollback Reimbursement	248,640
Utility Property Tax Loss and CAT Reimbursement	8,980
Other Grants	4,750
Total Governmental Activities	<u>\$ 986,394</u>

**City of Mayfield Heights, Ohio**

**Notes to the Basic Financial Statements (continued)  
For the Year Ended December 31, 2012**

---

**NOTE 8: INTERFUND TRANSACTIONS**

**A. Interfund Transfers**

As of December 31, 2012, interfund transfers were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 1,096,500
Nonmajor Governmental Funds	1,096,500	-
Total	<u>\$ 1,096,500</u>	<u>\$ 1,096,500</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 position because they were between governmental funds.

*This space is intentionally left blank.*



## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

**NOTE 9: 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	\$ 87,622	\$ 12,594	\$ 100,216
Materials and Supplies Inventory	59,382	7,130	66,512
<i>Total Nonspendable</i>	<u>147,004</u>	<u>19,724</u>	<u>166,728</u>
<i>Restricted for</i>			
Law Enforcement Trust - State	-	4,464	4,464
Law Enforcement Trust - Federal	-	11,874	11,874
Juvenile Diversion Program	-	5,708	5,708
D.A.R.E. Trust	-	10,221	10,221
Streets and Highways	-	271,652	271,652
Road Improvements	-	785,976	785,976
Cedar Road Water Main Ext.	-	49,624	49,624
Sidewalk Repairs	-	147,197	147,197
G.O. Debt Retirement	-	404,894	404,894
S.A. Debt Retirement	-	91,180	91,180
<i>Total Restricted</i>	<u>-</u>	<u>1,782,790</u>	<u>1,782,790</u>
<i>Committed to</i>			
Termination Benefits	232,800	-	232,800
Property Insurance	25,137	-	25,137
Tree Replacement	7,110	-	7,110
Street Lighting	38,616	-	38,616
Underground Storage Tanks	11,000	-	11,000
Summer Day Camp	-	261,605	261,605
Equipment Replacement	-	604,932	604,932
Sanitary Sewer Improvement	-	2,566,549	2,566,549
Public Property Improvement	-	1,054,884	1,054,884
Mayfield Road Corridor	-	538,236	538,236
Other Purposes	500	-	500
<i>Total Committed</i>	<u>315,163</u>	<u>5,026,206</u>	<u>5,341,369</u>
<i>Assigned to</i>			
Fiscal Year 2013 Appropriations	526,251	-	526,251
Other Purposes	68,589	-	68,589
<i>Total Assigned</i>	<u>594,840</u>	<u>-</u>	<u>594,840</u>
<i>Unassigned (Deficit)</i>	<u>10,578,318</u>	<u>(129,784)</u>	<u>10,448,534</u>
<b>Total Fund Balances</b>	<u><u>\$ 11,635,325</u></u>	<u><u>\$ 6,698,936</u></u>	<u><u>\$ 18,334,261</u></u>

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

#### NOTE 10: CAPITAL ASSETS

A summary of changes in capital assets during 2012 follows:

	Balance 1/1/2012	Additions	Reductions	Balance 12/31/2012
<b><u>Governmental Activities</u></b>				
Capital Assets, not being depreciated:				
Land	\$ 3,024,620	\$ -	\$ -	\$ 3,024,620
Construction in Progress	6,435,556	10,098,531	(16,534,087)	-
Total Capital Assets Not Being Depreciated	<u>9,460,176</u>	<u>10,098,531</u>	<u>(16,534,087)</u>	<u>3,024,620</u>
Capital Assets, being depreciated:				
Land Improvements	1,220,330	-	-	1,220,330
Buildings	9,329,511	-	-	9,329,511
Machinery and Equipment	2,269,074	81,450	(20,798)	2,329,726
Furniture and Fixtures	820,699	-	-	820,699
Vehicles	3,861,221	176,601	(146,942)	3,890,880
Infrastructure				
Roads	26,892,631	15,034,033	-	41,926,664
Water Mains	1,098,642	347,435	-	1,446,077
Sanitary Sewers	9,212,285	1,152,618	-	10,364,903
Storm Sewers	2,649,946	-	-	2,649,946
Totals at Historical Cost	<u>57,354,339</u>	<u>16,792,137</u>	<u>(167,740)</u>	<u>73,978,736</u>
Less Accumulated Depreciation:				
Land Improvements	(988,161)	(31,716)	-	(1,019,877)
Buildings	(3,171,388)	(236,151)	-	(3,407,539)
Machinery and Equipment	(1,631,307)	(138,043)	17,449	(1,751,901)
Furniture and Fixtures	(595,062)	(33,713)	-	(628,775)
Vehicles	(2,466,764)	(234,650)	119,076	(2,582,338)
Infrastructure				
Roads	(20,625,632)	(1,493,479)	-	(22,119,111)
Water Mains	(419,149)	(25,447)	-	(444,596)
Sanitary Sewers	(2,831,311)	(195,772)	-	(3,027,083)
Storm Sewers	(979,163)	(55,530)	-	(1,034,693)
Total Accumulated Depreciation	<u>(33,707,937)</u>	<u>(2,444,501)</u>	<u>136,525</u>	<u>(36,015,913)</u>
Total Capital Assets, being Depreciated, Net	<u>23,646,402</u>	<u>14,347,636</u>	<u>(31,215)</u>	<u>37,962,823</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,106,578</u>	<u>\$ 24,446,167</u>	<u>\$ (16,565,302)</u>	<u>\$ 40,987,443</u>

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

NOTE 10: **CAPITAL ASSETS** (Continued)

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

	Other Capital Assets	Infrastructure	Total
Security of Persons and Property	\$ 326,569	\$ -	\$ 326,569
Basic Utilities	69,183	276,749	345,932
Community Environment	13,557	-	13,557
Leisure Time Activities	82,887	-	82,887
Transportation	54,257	1,493,479	1,547,736
General Government	127,820	-	127,820
Total Deprecation Expense	\$ 674,273	\$ 1,770,228	\$ 2,444,501

NOTE 11: **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 12: **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, 2012

---

NOTE 12: **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.shtml](http://www.opers.org/investments/cafr.shtml), 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, 2012, the members of all three plans were required to contribute 10.00 percent of their annual covered salaries. The City's contribution rate of 14.00 percent was allocated to fund pension benefits for members of the Traditional Plan and the Combined Plan. The pension allocation for the Traditional Plan was 10.00 percent during calendar year 2012. The pension allocation for the Combined Plan was 7.95 percent during calendar year 2012. The City's required pension contributions for the Traditional Pension and Combined plans for the years ended December 31, 2012, 2011, and 2010 were \$451,161, \$443,936, and \$405,085, respectively; 91.12 percent has been contributed for 2012 and 100 percent has been contributed for 2011 and 2010. The unpaid contribution to fund pension obligations for 2012, in the amount of \$56,085, 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. The OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

NOTE 12: **PENSION PLAN** (Continued)

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

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 24.0 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. The City's contributions for pension obligations to the OP&F for police and firefighters were \$389,929 and \$454,371, for the year ended December 31, 2012, \$385,353 and \$469,796 for the year ended December 31, 2011, and \$390,422 and \$466,259 for the year ended December 31, 2010; 74.07 percent and 75.74 percent, respectively, has been contributed for 2012 and 100 percent for 2011 and 2010. The unpaid contributions to fund pension obligations for 2012 were \$154,654 for police and \$153,358 for firefighters. These amounts have been recorded as liabilities within the respective funds.

NOTE 13: **POST-EMPLOYMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

*Plan Description* - The 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 the OPEB Plan 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.shtml](http://www.opers.org/investments/cafr.shtml), 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, 2012

---

NOTE 13: **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 coverage. The 2012 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 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1.00 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's actual employer contributions for December 31, 2012, 2011 and 2010 which were used to fund post-employment benefits were \$180,465, \$177,574, and \$232,754, respectively; 91.12 percent has been contributed for 2012 and 100 percent has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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 post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium 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, 2012

---

NOTE 13: **POST-EMPLOYMENT BENEFIT PLANS** (Continued)

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit 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. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

*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, 2012, 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).

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

NOTE 13: **POST-EMPLOYMENT BENEFIT PLANS** (Continued)

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

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.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$206,433 and \$177,798 for the year ended December 31, 2012, \$204,010 and \$183,833 for the year ended December 31, 2011, and \$206,694 and \$182,449 for the year ended December 31, 2010, respectively; 74.07 percent and 75.74 percent, respectively, has been contributed for 2012 and 100 percent for 2011 and 2010.

NOTE 14: **LONG-TERM OBLIGATIONS**

Changes in the long-term obligations of the City for the year ended December 31, 2012, are as follows:

	Original Issuance Amount	Maturity Year	Balance 12/31/2011	Increase	Decrease	Balance 12/31/2012	Amount Due In a Year
<b><u>Long-Term Obligations - Governmental Activities</u></b>							
<i>OPWC Loans:</i>							
OPWC Loan - Mayfield Rd./I-271 Interchange, 0.00%	\$ 271,155	2015	\$ 46,728	\$ -	\$ (13,352)	\$ 33,376	\$ 13,352
OPWC Loan - Mayfield Rd. Improvements, 0.00%	\$ 1,000,000	2024	923,156	-	-	923,156	-
OPWC Loan - Mayfield Rd. Sanitary Sewer, 0.00%	\$ 805,000	2028	644,000	-	(40,250)	603,750	40,250
<i>Total OPWC Loans</i>			<u>1,613,884</u>	<u>-</u>	<u>(53,602)</u>	<u>1,560,282</u>	<u>53,602</u>
<i>Other Long-Term Liabilities:</i>							
Municipal Complex Improvements - Bond Anticipation Notes, 1.0%		8/2012	2,800,000	1,875,000	(2,800,000)	1,875,000	-
Workers' Compensation Claims Liability			35,467	25,670	(23,588)	37,549	19,621
Compensated Absences			2,712,802	921,790	(1,001,073)	2,633,519	971,066
<i>Total Other Long-Term Liabilities</i>			<u>5,548,269</u>	<u>2,822,460</u>	<u>(3,824,661)</u>	<u>4,546,068</u>	<u>990,687</u>
<b>Total Long-Term Obligations - Governmental Activities</b>			<u>\$ 7,162,153</u>	<u>\$ 2,822,460</u>	<u>\$ (3,878,263)</u>	<u>\$ 6,106,350</u>	<u>\$ 1,044,289</u>



## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

**NOTE 14: LONG-TERM OBLIGATIONS** (Continued)

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, 2012, the City has completed the projects related to this loan however the funding source has not provided an amortization schedule. 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.

Municipal Complex Improvement Bond Anticipation Notes (BANs) were reissued in 2012 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, 2012 follows:

Year	<u>OPWC</u> <u>Principal</u>	<u>OPWC - Sanitary Sewer</u> <u>Principal</u>	<u>Total</u> <u>Principal</u>
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	-	40,250	40,250
2017-2021	-	201,250	201,250
2022-2026	-	201,250	201,250
	<u>\$ 33,376</u>	<u>\$ 603,750</u>	<u>\$ 637,126</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, 2012, were an overall debt margin of \$56,649,912 and an unvoted debt margin of \$28,230,722.

## City of Mayfield Heights, Ohio

### Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

#### NOTE 15: 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 2012, the City paid \$108,640 in premiums from the General Fund, which represents 8.58 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 16: 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, 2012

---

#### NOTE 16: **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 2012, the employee portion was either \$122.16 or \$92.78 per month for a single contract, or \$222.10 or \$168.68 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 \$868.48 for single coverage and \$2,358.78 for family coverage and the monthly premium for the HSA program is \$494.66 for single coverage and \$1,348.60 for family coverage. The monthly premium for dental benefits is \$35.82 for single coverage and \$97.90 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, 2012

NOTE 16: **RISK MANAGEMENT** (Continued)

The claims liability of \$37,549 reported at December 31, 2012, 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>
2011	\$ 56,190	\$ 2,568	\$ (23,291)	\$ 35,467
2012	35,467	23,588	(21,506)	37,549

NOTE 17: **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 18: **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 2012, all participating municipalities contributed \$84,000.

The Council adopts a budget for ESRCOG annually. Each member municipality's degree of control is limited to its representation on the Council. In 2012, the City contributed \$14,000, 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, 2012

---

#### NOTE 18: **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 19: **JOINT VENTURE**

##### **Community Partnership on Aging Council of Governments**

The Community Partnership on Aging (Partnership) is a joint venture among the cities of Highland Heights, Lyndhurst, Mayfield Heights, and South Euclid, formed for the purpose of coordinating among the cities all matters related to assistance and programs for the aged. Partnership revenues consist of contributions from the member cities and Federal grants. The governing board of the partnership is a Council of Governments composed of the mayors of Highland Heights, Lyndhurst, Mayfield Heights, Mayfield Village and South Euclid, with the advice of a nine-member commission. Continued existence of the Partnership is dependent on the City; however, the City has no explicit and measurable equity interest in the Partnership. The Partnership is not accumulating financial resources or experiencing fiscal stress which would cause additional financial benefit to, or burden on, the City. In 2012, the City contributed \$229,735, which represents 23.16 percent of total revenue. To obtain a copy of the Consortium's financial statements, write to the Community Partnership on Aging, 1370 Victory Drive, South Euclid, Ohio 44121.

#### 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 2012, the City disbursed \$431,158 to the School District as a result of the revenue sharing agreements.

# City of Mayfield Heights, Ohio

## Notes to the Basic Financial Statements (continued) For the Year Ended December 31, 2012

---

### 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, 2012, the City's commitments for encumbrances in the governmental funds were as follows:

	<u>Encumbrances Outstanding</u>
Major Fund:	
General	\$ 68,589
Nonmajor Funds:	
Special Revenue Funds	47,356
Capital Projects Funds	<u>187,865</u>
Total	<u><u>\$ 303,810</u></u>



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the City of Mayfield Heights, Cuyahoga County, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 25, 2013.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 25, 2013





# 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  
OCTOBER 8, 2013**