

**CITY OF MAYFIELD HEIGHTS, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2001**





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Mayor and Members of Council  
City of Mayfield Heights

We have reviewed the Independent Auditor's Report of the City of Mayfield Heights, Cuyahoga County, prepared by James G. Zupka, CPA, Inc. for the audit period January 1, 2001 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

June 25, 2002

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CITY OF MAYFIELD HEIGHTS, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2001

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CITY OF MAYFIELD HEIGHTS  
INDEX OF FUNDS

December 31, 2001

**Governmental Fund Types**

General Fund

General

Special Revenue Fund

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

Debt Service Fund

General Bond Retirement  
Special Assessment Bond Retirement

Capital Projects Fund Class

Equipment Replacement  
Road Improvement  
Sanitary Sewer Improvement  
Public Property Improvement  
Special Assessment Road Improvement  
Cedar Road Water Main Extension  
Sidewalk Repair Special Assessment  
Municipal Complex Improvement

CITY OF MAYFIELD HEIGHTS

INDEX OF FUNDS (Continued)

December 31, 2001

**Fiduciary Fund Types**

Expendable Trust Fund

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

Agency Fund

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

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**INDEPENDENT ACCOUNTANT'S REPORT**

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

We have audited the accompanying general purpose financial statements of the City of Mayfield Heights, Ohio, as of and for the year ended December 31, 2001. These general purpose financial statements are the responsibility of the City of Mayfield Heights, Ohio's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Mayfield Heights, Ohio, as of December 31, 2001, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

As described in Note 2, during the year ended December 31, 2001, the City adopted Governmental Accounting Standards Board Statements 33 and 36.

In accordance with Government Auditing Standards, we have also issued a report dated May 10, 2002 on our consideration of the City of Mayfield Heights, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

May 10, 2002

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James G. Zupka  
Certified Public Accountant

CITY OF MAYFIELD HEIGHTS, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (GAAP)  
 DECEMBER 31, 2001

	GOVERNMENTAL FUND TYPES				FIDUCIARY	ACCOUNT GROUPS		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Fixed Assets	General Long- Term Debt	
<b>ASSETS</b>								
Equity in Pooled Cash and Cash Equivalents	\$ 7,483,776	\$ 320,027	\$ 372,635	\$ 11,155,940	\$ 1,334,510	\$ 0	\$ 0	\$ 20,666,888
Receivables:								
Taxes	6,035,014	277,620	684,797	0	72,580	0	0	7,070,011
Accounts	22,846	569	0	4,365	0	0	0	27,780
Intergovernmental	641,903	237,506	40,620	193,437	0	0	0	1,113,466
Accrued Interest	138,192	0	49	1,011	0	0	0	139,252
Special Assessments	0	0	255,303	28,367	0	0	0	283,670
Due from Other Funds	2,330,000	0	0	0	0	0	0	2,330,000
Inventory	17,165	28,480	0	0	0	0	0	45,645
Prepaid Items	42,041	0	0	0	0	0	0	42,041
Fixed Assets (Net of								
Accumulated Depreciation)	0	0	0	0	0	8,086,411	0	8,086,411
Construction in Progress	0	0	0	0	0	1,245,579	0	1,245,579
Other Debits:								
Amount Available in Debt								
Service Funds	0	0	0	0	0	0	397,078	397,078
Amount to be Provided for								
Retirement of General								
Long-Term Obligations	0	0	0	0	0	0	2,273,885	2,273,885
<b>Total Assets</b>	<u>\$ 16,710,937</u>	<u>\$ 864,202</u>	<u>\$ 1,353,404</u>	<u>\$ 11,383,120</u>	<u>\$ 1,407,090</u>	<u>\$ 9,331,990</u>	<u>\$ 2,670,963</u>	<u>\$ 43,721,706</u>

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

CITY OF MAYFIELD HEIGHTS, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (GAAP)  
 DECEMBER 31, 2001  
 (CONTINUED)

	GOVERNMENTAL FUND TYPES				FIDUCIARY	ACCOUNT GROUPS		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Fixed Assets	General Long- Term Debt	
<b>LIABILITIES</b>								
Accounts Payable	\$ 148,226	\$ 78,487	\$ 0	\$ 88,369	\$ 54,183	\$ 0	\$ 0	\$ 369,265
Contracts Payable	0	0	0	1,014,061	0	0	0	1,014,061
Retainage Payable	0	0	0	45,390	0	0	0	45,390
Accrued Wages and Benefits	161,635	13,153	0	0	0	0	0	174,788
Funds Held on Deposit Due to Other	0	0	0	0	185,810	0	0	185,810
Governments	114,721	244,953	0	0	72,580	0	0	432,254
Due to Other Funds	0	0	0	2,330,000	0	0	0	2,330,000
Deferred Revenues	4,957,172	481,381	956,326	110,200	0	0	0	6,505,079
Manuscript Bond General Obligation	0	0	0	0	0	0	64,000	64,000
Bonds Payable	0	0	0	0	0	0	870,000	870,000
Special Assessment Commitment Bonds Payable	0	0	0	0	0	0	110,000	110,000
Ohio Public Works Commission	0	0	0	0	0	0	180,247	180,247
Compensated Absences Payable	68,382	632	0	0	0	0	1,446,716	1,515,730
<b>Total Liabilities</b>	<u>5,450,136</u>	<u>818,606</u>	<u>956,326</u>	<u>3,588,020</u>	<u>312,573</u>	<u>0</u>	<u>2,670,963</u>	<u>13,796,624</u>
<b>FUND EQUITY AND OTHER CREDITS</b>								
Investment in General Fixed Assets	0	0	0	0	0	9,331,990	0	9,331,990
Fund Balances:								
Reserved for Inventory	17,165	28,480	0	0	0	0	0	45,645
Reserved for Prepaid Items	42,041	0	0	0	0	0	0	42,041
Reserved for Encumbrances	119,632	129	0	1,015,089	0	0	0	1,134,850
Reserved for Debt Service	0	0	397,078	0	0	0	0	397,078
Unreserved: Undesignated	11,081,963	16,987	0	6,780,011	1,094,517	0	0	18,973,478
<b>Total Fund Equity</b>	<u>11,260,801</u>	<u>45,596</u>	<u>397,078</u>	<u>7,795,100</u>	<u>1,094,517</u>	<u>9,331,990</u>	<u>0</u>	<u>29,925,082</u>
<b>Total Fund Equity and Other Credits</b>	<u>\$ 16,710,937</u>	<u>\$ 864,202</u>	<u>\$ 1,353,404</u>	<u>\$ 11,383,120</u>	<u>\$ 1,407,090</u>	<u>\$ 9,331,990</u>	<u>\$ 2,670,963</u>	<u>\$ 43,721,706</u>

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

CITY OF MAYFIELD HEIGHTS, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS  
 DECEMBER 31, 2001

	GOVERNMENTAL FUND TYPES				FIDUCIARY	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	FUND TYPE Expendable Trust	
<b>REVENUES</b>						
Local Income Taxes	\$ 8,390,197	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,390,197
Property Taxes	3,476,130	263,342	649,580	0	0	4,389,052
Other Taxes	251,158	0	0	0	0	251,158
Intergovernmental Revenue	1,427,601	473,458	78,986	947,435	0	2,927,480
Special Assessments	0	5,486	138,239	79,647	0	223,372
Charges for Services	204,279	129,030	0	105,698	0	439,007
Fines, Licenses, and Permits	385,084	1,170	0	0	0	386,254
Interest Income	940,749	0	38,141	34,654	0	1,013,544
Miscellaneous	259,943	21,294	0	49,403	30,436	361,076
<b>Total Revenues</b>	<b>15,335,141</b>	<b>893,780</b>	<b>904,946</b>	<b>1,216,837</b>	<b>30,436</b>	<b>18,381,140</b>
<b>EXPENDITURES</b>						
Current:						
Security of Persons and Property	6,699,944	576,516	0	0	0	7,276,460
Public Health and Welfare	173,402	0	0	0	0	173,402
Leisure Time Activities	834,449	103,699	0	0	0	938,148
Community Development	551,591	5,185	0	0	0	556,776
Basic Utility Expenditures	616,341	0	0	9,760	0	626,101
Transportation	703,430	1,062,493	0	127,229	0	1,893,152
General Government	1,554,831	0	1,169	86,418	149,135	1,791,553
Capital Outlay	0	0	0	3,274,981	0	3,274,981
Debt Service:						
Principal Retirement	0	0	918,000	13,352	0	931,352
Interest and Fiscal Charges	0	0	152,273	0	0	152,273
<b>Total Expenditures</b>	<b>11,133,988</b>	<b>1,747,893</b>	<b>1,071,442</b>	<b>3,511,740</b>	<b>149,135</b>	<b>17,614,198</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,201,153	(854,113)	(166,496)	(2,294,903)	(118,699)	766,942
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Fixed Assets	0	0	0	6,950	0	6,950
Transfers In	0	708,935	0	1,111,123	150,000	1,970,058
Transfers Out	(1,965,000)	0	(5,058)	0	0	(1,970,058)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,965,000)</b>	<b>708,935</b>	<b>(5,058)</b>	<b>1,118,073</b>	<b>150,000</b>	<b>6,950</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,236,153	(145,178)	(171,554)	(1,176,830)	31,301	773,892
Fund Balance - Beginning of Year, as Restated	9,023,519	168,257	568,632	8,971,930	1,063,216	19,795,554
Increase (Decrease) in Reserved for Inventory	1,129	22,517	0	0	0	23,646
<b>Fund Balance - End of Year</b>	<b>\$ 11,260,801</b>	<b>\$ 45,596</b>	<b>\$ 397,078</b>	<b>\$ 7,795,100</b>	<b>\$ 1,094,517</b>	<b>\$ 20,593,092</b>

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

CITY OF MAYFIELD HEIGHTS, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -  
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Local Income Taxes	\$ 8,240,074	\$ 8,240,074	\$ 0	\$ 0	\$ 0	\$ 0
Property Taxes	3,476,130	3,476,130	0	263,342	263,342	0
Other Taxes	235,814	235,814	0	0	0	0
Intergovernmental Revenues	1,410,509	1,410,509	0	474,097	474,097	0
Special Assessments	0	0	0	5,486	5,486	0
Charges for Services	204,282	204,282	0	129,030	129,030	0
Fines, Licenses, and Permits	392,118	392,118	0	1,090	1,090	0
Interest Income	1,179,836	1,179,836	0	0	0	0
Miscellaneous	258,852	258,852	0	26,672	26,673	1
<b>Total Revenues</b>	<b>15,397,615</b>	<b>15,397,615</b>	<b>0</b>	<b>899,717</b>	<b>899,718</b>	<b>1</b>
<b>EXPENDITURES</b>						
Current:						
Security of Persons and Property	6,815,499	6,775,490	40,009	567,201	565,742	1,459
Public Health and Welfare	180,210	169,122	11,088	0	0	0
Leisure Time Activities	838,831	829,690	9,141	97,125	96,748	377
Community Development	556,605	553,152	3,453	5,200	5,185	15
Basic Utility Service	635,000	622,234	12,766	0	0	0
Transportation	715,616	697,994	17,622	1,101,169	1,086,381	14,788
General Government	1,598,621	1,549,487	49,134	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Other Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>11,340,382</b>	<b>11,197,169</b>	<b>143,213</b>	<b>1,770,695</b>	<b>1,754,056</b>	<b>16,639</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,057,233	4,200,446	143,213	(870,978)	(854,338)	16,640
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Fixed Assets	0	0	0	0	0	0
Operating Transfers In	0	0	0	708,935	708,935	0
Operating Transfers Out	(1,965,000)	(1,965,000)	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	(2,330,000)	(2,330,000)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(4,295,000)</b>	<b>(4,295,000)</b>	<b>0</b>	<b>708,935</b>	<b>708,935</b>	<b>0</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(237,767)	(94,554)	143,213	(162,043)	(145,403)	16,640
Fund Balance - Beginning of Year	7,352,199	7,352,199	0	402,949	402,949	0
Prior Year Encumbrances Appropriated	38,452	38,452	0	19,790	19,790	0
<b>Fund Balance - End of Year</b>	<b>\$ 7,152,884</b>	<b>\$ 7,296,097</b>	<b>\$ 143,213</b>	<b>\$ 260,696</b>	<b>\$ 277,336</b>	<b>\$ 16,640</b>

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

CITY OF MAYFIELD HEIGHTS, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -  
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2001  
 (CONTINUED)

	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Local Income Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Property Taxes	649,580	649,580	0	0	0	0
Other Taxes	0	0	0	0	0	0
Intergovernmental Revenue	78,986	78,986	0	954,853	954,853	0
Special Assessments	113,845	113,845	0	76,937	76,937	0
Charges for Services	0	0	0	127,435	127,435	0
Fines, Licenses, and Permits	0	0	0	0	0	0
Interest Income	40,451	40,451	0	46,045	46,045	0
Miscellaneous	0	0	0	45,117	45,117	0
<b>Total Revenues</b>	<b>882,862</b>	<b>882,862</b>	<b>0</b>	<b>1,250,387</b>	<b>1,250,387</b>	<b>0</b>
<b>EXPENDITURES</b>						
Current:						
Security of Persons and Property	0	0	0	0	0	0
Public Health and Welfare	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Development	0	0	0	0	0	0
Basic Utility Services	0	0	0	15,000	9,275	5,725
Transportation	0	0	0	177,450	162,276	15,174
General Government	1,175	1,169	6	90,000	86,418	3,582
Capital Outlay	0	0	0	4,499,610	4,378,834	120,776
Debt Service:						
Principal Retirement	918,000	918,000	0	13,352	13,352	0
Interest and Fiscal Charges	152,285	152,273	12	0	0	0
<b>Total Expenditures</b>	<b>1,071,460</b>	<b>1,071,442</b>	<b>18</b>	<b>4,795,412</b>	<b>4,650,155</b>	<b>145,257</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(188,598)	(188,580)	18	(3,545,025)	(3,399,768)	145,257
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Fixed Assets	0	0	0	6,950	6,950	0
Operating Transfer In	0	0	0	1,111,123	1,111,123	0
Operating Transfers Out	(5,060)	(5,058)	2	0	0	0
Advances In	0	0	0	2,330,000	2,330,000	0
Advances Out	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(5,060)</b>	<b>(5,058)</b>	<b>2</b>	<b>3,448,073</b>	<b>3,448,073</b>	<b>0</b>
Excess (Deficiency) of Revenues and and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(193,658)	(193,638)	20	(96,952)	48,305	145,257
Fund Balance - Beginning of Year	566,272	566,272	0	8,785,926	8,785,926	0
Prior Year Encumbrances Appropriated	0	0	0	223,280	223,280	0
<b>Fund Balance - End of Year</b>	<b>\$ 372,614</b>	<b>\$ 372,634</b>	<b>\$ 20</b>	<b>\$ 8,912,254</b>	<b>\$ 9,057,511</b>	<b>\$ 145,257</b>

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

CITY OF MAYFIELD HEIGHTS, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -  
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2001  
 (CONTINUED)

	EXPENDABLE TRUST FUNDS			TOTALS (MEMORANDUM ONLY)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Local Income Taxes	\$ 0	\$ 0	\$ 0	\$ 8,240,074	\$ 8,240,074	\$ 0
Property Taxes	0	0	0	4,389,052	4,389,052	0
Other Taxes	0	0	0	235,814	235,814	0
Intergovernmental Revenue	0	0	0	2,918,445	2,918,445	0
Special Assessments	0	0	0	196,268	196,268	0
Charges for Services	0	0	0	460,747	460,747	0
Fines, Licenses, and Permits	0	0	0	393,208	393,208	0
Interest Income	0	0	0	1,266,332	1,266,332	0
Miscellaneous	30,436	30,436	0	361,077	361,078	1
<b>Total Revenues</b>	<b>30,436</b>	<b>30,436</b>	<b>0</b>	<b>18,461,017</b>	<b>18,461,018</b>	<b>1</b>
<b>EXPENDITURES</b>						
Current:						
Security of Persons and Property	0	0	0	7,382,700	7,341,232	41,468
Public Health and Welfare	0	0	0	180,210	169,122	11,088
Leisure Time Activities	0	0	0	935,956	926,438	9,518
Community Development	0	0	0	561,805	558,337	3,468
Basic Utility Services	0	0	0	650,000	631,509	18,491
Transportation	0	0	0	1,994,235	1,946,651	47,584
General Government	149,011	146,826	2,185	1,838,807	1,783,900	54,907
Capital Outlay	0	0	0	4,499,610	4,378,834	120,776
Debt Service:						
Principal Retirement	0	0	0	931,352	931,352	0
Interest and Other Charges	0	0	0	152,285	152,273	12
<b>Total Expenditures</b>	<b>149,011</b>	<b>146,826</b>	<b>2,185</b>	<b>19,126,960</b>	<b>18,819,648</b>	<b>307,312</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(118,575)	(116,390)	2,185	(665,943)	(358,630)	307,313
<b>OTHER FINANCING SOURCES (Uses)</b>						
Sale of Fixed Assets	0	0	0	6,950	6,950	0
Operating Transfers In	150,000	150,000	0	1,970,058	1,970,058	0
Operating Transfers Out	0	0	0	(1,970,060)	(1,970,058)	2
Advances In	0	0	0	2,330,000	2,330,000	0
Advances Out	0	0	0	(2,330,000)	(2,330,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>150,000</b>	<b>150,000</b>	<b>0</b>	<b>6,948</b>	<b>6,950</b>	<b>2</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	31,425	33,610	2,185	(658,995)	(351,680)	307,315
Fund Balance - Beginning of Year	1,063,968	1,063,968	0	18,171,314	18,171,314	0
Prior Year Encumbrances Appropriated	0	0	0	281,522	281,522	0
<b>Fund Balance - End of Year</b>	<b>\$ 1,095,393</b>	<b>\$ 1,097,578</b>	<b>\$ 2,185</b>	<b>\$ 17,793,841</b>	<b>\$ 18,101,156</b>	<b>\$ 307,315</b>

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

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001

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

A. **Reporting Entity**

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

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups and the results of operations of the various fund types. The financial statements are presented as of December 31, 2001, and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

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

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

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

A. **Reporting Entity** (Continued)

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

B. **Basis of Presentation**

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

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

**Governmental Funds**

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

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

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

**Governmental Funds** (Continued)

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

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

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

*Capital Projects Funds* - used to account for revenues and expenditures related to the acquisition or construction of major capital facilities and to account for the financing of public improvements or services deemed to benefit specific properties against which assessments are levied.

**Fiduciary Funds**

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

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

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

**Account Groups**

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

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

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

C. **Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and fiduciary fund. Under the modified accrual basis of accounting revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

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. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

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

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. Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers, and miscellaneous revenues, is recorded as revenue when received in cash because it is generally not measurable until received.

Special assessment installments including related accrued interest which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2001, but which are not intended to finance 2001 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 11.

D. **Budgetary Accounting**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

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

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

D. **Budgetary Accounting** (Continued)

The City's budgetary process is as follows:

*Budget* - A tax budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31, of the following year. A proposed budget of estimated revenues and expenditures is submitted by the Mayor to members of City Council of the City by November 15 of each year for the period January 1 to December 31 of the following year.

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

*Appropriations* - A temporary appropriation measure to control disbursements may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriations ordinance must be passed by March 31 and may be amended or supplemented during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. Appropriations may not exceed the estimated resources.

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

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

D. **Budgetary Accounting** (Continued)

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

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

*Budgetary Basis of Accounting*

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

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

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

**E. Budgetary Basis of Accounting**

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
GAAP Basis	\$ 2,236,153	\$ (145,178)	\$ (171,554)	\$ (1,176,830)	\$ 31,301
Increase (Decrease):					
Revenue Accruals	62,474	5,938	(22,084)	2,363,550	0
Expenditures					
Accruals	(2,273,549)	(6,034)	0	(123,326)	2,309
Encumbrance	(119,632)	(129)	0	(1,015,089)	0
Budgetary Basis	<u>\$ (94,554)</u>	<u>\$ (145,403)</u>	<u>\$ (193,638)</u>	<u>\$ 48,305</u>	<u>\$ 33,610</u>

**F. Cash and Cash Equivalents**

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

The City complies with GASB Statement 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. As a governmental entity other than an external investment pool in accordance with GASB 31, the City's investments are stated at market value, except for interest-earnings investment contracts and manuscript bonds (see Note 2).

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

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

In applying GASB 31, the City utilized the following methods and assumptions as of December 31, 2001:

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

Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the general fund to the extent its cash and investment balance exceeds the cumulative value of those investments subject to GASB 31.

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

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

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund, capital projects fund, and debt service fund during fiscal year 2001 amounted to \$940,749, \$34,654, and \$38,141.

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

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

**G. Fixed Assets**

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

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

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

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

**H. Grants and Other Intergovernmental Revenues**

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

**I. Interfund Transactions**

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

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

J. **Inventories**

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

K. **Compensated Absences**

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

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

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

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

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

**L. Long-Term Obligations**

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

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

**M. Reservations of Fund Balance**

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

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

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

CITY OF MAYFIELD HEIGHTS, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 DECEMBER 31, 2001  
 (CONTINUED)

NOTE 2: **COMPLIANCE AND ACCOUNTABILITY**

**Change in Accounting Principle**

For December 31, 2001, the City has adopted GASB Statement No.33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. GASB Statement No. 36 modified the provisions of GASB Statement No. 33 for certain specific nonexchange revenues.

GASB Statement No. 33 and GASB Statement No. 36 were required for the current year. These statements clarified the timing requirements of recognizing assets, liabilities, revenues, and expenditures/expenses associated with nonexchange transactions. As a result of implementation of the statements, a restatement of prior year fund balance is necessary as described below.

Due to the implementation of GASB Statement No. 33, prior year fund balances were restated for the following funds:

**General Fund**

Fund Balance as of December 31, 2000	\$8,177,198
Income Tax	701,612
Local Government	144,709
Restated Fund Balance, December 31, 2000	\$9,023,519

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS**

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

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

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

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

Category 3 consists of “interim” funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Interim deposits in eligible institutions applying for interim funds;
5. Bonds and other obligations of the State of Ohio;
6. No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasury Asset Reserve of Ohio (STAROhio).

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with expectation that it will be held to maturity.

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

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

CITY OF MAYFIELD HEIGHTS, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 DECEMBER 31, 2001  
 (CONTINUED)

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

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

**Deposits**

*Category 1* - Insured or collateralized with securities held by the City or by its agent in the City's name.

*Category 2* - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

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

**Investments**

*Category 1* - Insured or registered, with securities held by the City or its agent in the City's name.

*Category 2* - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

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

**A. Deposits**

At year end, the carrying amount of the City's deposits was \$20,602,888, including \$825 of cash on hand, and the bank balance was \$21,020,595. Of the bank balance, \$500,000 was fully insured by federal depository insurance. All remaining deposits were classified at Category 3.

**B. Investments**

Investments as of December 31, 2001 were as follows:

	<u>Fair Value</u>
City of Mayfield Heights Special Assessment Bonds (Category 1)	\$ 64,000
Total Investments	<u>\$ 64,000</u>

CITY OF MAYFIELD HEIGHTS, OHIO  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 DECEMBER 31, 2001  
 (CONTINUED)

NOTE 3: **CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

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

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

	Cash & Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 6,487,888	\$14,179,000
Investments:		
Certificate of Deposit (with maturities more than 3 months)	14,115,000	(14,115,000)
GASB Statement No. 3	\$ 20,602,888	\$ 64,000

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

NOTE 4: **FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance January 1, 2001	Additions	Deletions	Balance December 31, 2001
Land and Land Improvements	\$ 432,885	\$ 0	\$ 0	\$ 432,885
Buildings, Structures, and Improvements	2,712,614	107,448	0	2,820,062
Construction in Progress	0	1,245,579	0	1,245,579
Machinery and Equipment	1,855,931	112,456	9,039	1,959,348
Vehicles	2,138,678	797,274	61,836	2,874,116
Total	\$7,140,108	\$2,262,757	\$ 70,875	\$9,331,990

NOTE 5: **INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at December 31, 2001 consist of the following:

Fund	Interfund Receivable	Interfund Payables
General Fund	\$2,330,000	\$ 0
Capital Projects Fund:		
Municipal Complex Improvement	0	2,330,000
	\$2,330,000	\$2,330,000

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 6: **INTERGOVERNMENTAL RECEIVABLES**

Fund	Amounts
<b><u>General Fund</u></b>	
Local Government Support	\$ 403,927
Liquor Permits	1,976
Hotel/Motel Tax	13,525
Admission Tax	5,101
Homestead and Rollback	217,374
<b>Total General Fund</b>	<b>641,903</b>
<b><u>Special Revenue Funds</u></b>	
<b>Street Maintenance</b>	
Gasoline Tax	150,898
Motor Vehicle License Tax	53,562
<b>Total Street Maintenance</b>	<b>204,460</b>
<b>State Highway</b>	
Gasoline Tax	12,235
Motor Vehicle License Tax	4,343
<b>Total State Highway</b>	<b>16,578</b>
<b>Police Pension</b>	
Homestead and Rollback	8,234
<b>Total Police Pension</b>	<b>8,234</b>
<b>Fire Pension</b>	
Homestead and Rollback	8,234
<b>Total Fire Pension</b>	<b>8,234</b>
<b>Total Special Revenue Funds</b>	<b>237,506</b>
<b><u>Capital Projects Funds</u></b>	
<b>Equipment Replacement</b>	
Estate Taxes	134,651
<b>Road Improvement</b>	
Motor Vehicle License Tax	58,786
<b>Total Capital Projects Funds</b>	<b>193,437</b>
<b><u>Debt Service Funds</u></b>	
<b>General Bond Retirement</b>	
Homestead and Rollback	40,620
<b>Total Debt Service Funds</b>	<b>40,620</b>
<b>Total All Funds</b>	<b>\$ 1,113,466</b>

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLANS**

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

A. **Public Employees Retirement System**

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The 2001 employer contribution rate for local government employer units was 13.55 percent of covered payroll, 9.25 percent to fund the pension and 4.3 percent to fund health care. Contribution rates are determined actuarially. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 2001, 2000, and 1999 were \$404,049, \$368,383, and \$327,765 respectively, which were equal to the required contributions for each year. The full amount has been contributed for 2000 and 1999, 75 percent has been contributed for 2001 with the remainder being reported as a liability within the respective funds.

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 4.3 percent of covered payroll, which amounted to \$128,223.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75 percent. An annual increase of 4.75 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2000 was \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

**B. Ohio Police and Fire Pension Fund (the “OP & F” Fund)**

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

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. The City’s contributions to the OP&F Fund for the years ending December 31, 2001, 2000, and 1999 were \$395,690, \$394,931, and \$366,594 for police and \$426,723, \$410,847, and \$377,060 for firefighters, respectively, which were equal to the required contributions for each year. The full amount has been contributed for 2000 and 1999. 76 percent for police and 77 percent for firefighters has been contributed in 2001.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer’s contributions rate. The Ohio Revised Code also provides statutory authority allowing the Fund’s Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer’s contributions to the OP&F Fund.

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

The portion of the 2001 covered payroll that was used to fund postemployment health care benefits was \$152,189 representing 7.50 percent of covered payroll for police and \$133,309 representing 7.50 percent of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2000, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,853 for police and 10,037 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2000 were \$106,160,054, which was net of member contributions of \$5,657,431.

NOTE 8: **LONG-TERM OBLIGATIONS**

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

	Balance December 31, 2000	Issued (Retired)	Balance December 31, 2001
<u>General Obligation Bonds</u>			
9.50% 1983 Service Department Garage	\$ 90,000	\$ (30,000)	\$ 60,000
6.80%-7.60% 1989 Municipal Building Improvement	1,615,000	(805,000)	810,000
Total General Obligation Bonds	<u>1,705,000</u>	<u>(835,000)</u>	<u>870,000</u>
<u>Special Assessment Bonds Payable with General Commitment</u>			
9.50% 1983 Woodhawk Drive Improvements	165,000	(55,000)	110,000
6.25% 1993 Ashcroft Drive Improvements	31,000	(11,000)	20,000
7.50% 1991 Marsol Road Improvements	8,000	(8,000)	0
6.5% 1992 Catalano Road Improvements	8,000	(4,000)	4,000
5.0% 2001 Aldenham Drive Improvements	45,000	(5,000)	40,000
Total Special Assessment Bonds Payable with General Commitment	<u>257,000</u>	<u>(83,000)</u>	<u>174,000</u>
<u>Other Long-Term Obligations</u>			
Accrued Sick Leave	1,370,502	76,214	1,446,716
OPWC Loan Payable	193,599	(13,352)	180,247
Total Other Long-Term Obligations	<u>1,564,101</u>	<u>62,862</u>	<u>1,626,963</u>
Total All Long-Term Obligations	<u>\$ 3,526,101</u>	<u>\$ (855,138)</u>	<u>\$ 2,670,963</u>

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 8: **LONG-TERM OBLIGATIONS** (Continued)

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

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

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

**Principal and Interest Requirements**

A summary of the City's future long-term debt requirements, including principal and interest payments as of December 31, 2001 follows:

<u>Years</u>	<u>General Obligation Bond</u>		<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 840,000	\$ 67,260	\$ 55,000	\$ 10,450
2003	30,000	2,850	55,000	5,225
2004	0	0	0	0
2005	0	0	0	0
2006	0	0	0	0
2007-2011	0	0	0	0
2011-Thereafter	0	0	0	0
Totals	<u>\$ 870,000</u>	<u>\$ 70,110</u>	<u>\$ 110,000</u>	<u>\$ 15,675</u>

<u>Years</u>	<u>Manuscript Bonds</u>		<u>OPWC</u>	<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Loan</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 19,000	\$ 3,510	\$ 13,352	\$ 927,352	\$ 81,220
2003	15,000	2,375	13,352	113,352	10,450
2004	5,000	1,500	13,352	18,352	1,500
2005	5,000	1,500	13,352	18,352	1,500
2006	20,000	2,250	13,352	33,352	2,250
2007-2011	0	0	66,758	66,758	0
2012-Thereafter	0	0	46,729	46,729	0
Totals	<u>\$ 64,000</u>	<u>\$ 11,135</u>	<u>\$ 180,247</u>	<u>\$1,224,247</u>	<u>\$ 96,920</u>

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 8: **LONG-TERM OBLIGATIONS** (Continued)

In addition to the schedule payment of \$155,000, the City, in December 2001 paid an additional \$650,000 in principal on the general obligation bonds, at interest rate of 6.80%-7.60%, Municipal Building Improvement Series 1989. The total amount of the City's payment of \$805,000 has been removed from the City's General Long-Term Debt Account Group. The City realized an interest savings of \$49,400 from the additional principal payment.

In December 2002, the City will be paying the balance of \$810,000 on the remaining bonds titled Municipal Building Improvement Bonds Series 1989.

NOTE 9: **ACCUMULATED UNPAID EMPLOYEE BENEFITS AND OVERTIME**

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

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

A summary of employee benefit obligations (calculated in accordance with GASB Statement No. 16) at December 31, 2001 is as follows:

	<u>Government Fund Types</u>
Vacation	\$ 397,504
Sick Pay	1,049,212
	<u>\$1,446,716</u>

Government fund type liabilities are recorded in the General Long-Term Debt Account Group. The liability above excludes the amount of \$69,014 which was paid within the available period, which is reflected as a fund liability in the respective funds.

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 10: **INCOME TAXES**

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

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

NOTE 11: **PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Presently, the City levies 10 mills of assessed value per City Charter. A reevaluation of all property is required to be completed no less than every six years, with a statistical update every third year. The last reevaluation was completed in 2000.

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

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

Tangible personal property taxes are based on assessed value determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. For the collection year 2001, the percentage used to determine taxable value of personal property and inventory was 25 percent. Pertinent tangible personal property tax dates are:

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 11: **PROPERTY TAXES** (Continued)

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

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

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

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

The full property tax rate for all City operations for the year ended December 31, 2001 was \$10.00 per \$1,000 of assessed value. The assessed value upon which the 2001 tax receipts were based was \$504,596,355. This amount constitutes \$454,531,930 in real property assessed value, \$12,129,990 in public utility assessed value and \$37,934,435 in tangible personal property assessed value.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes which are measurable at December 31, 2001. These taxes are intended to finance the next fiscal year's operations and are therefore offset by a credit to deferred revenue. Taxes receivable at December 31, 2001 amounted to \$3,664,587 in the general fund, \$277,620 in the special revenue funds, and \$684,797 in the debt service funds.

NOTE 12: **CONTINGENCIES AND COMMITMENTS**

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

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 13: **CONSTRUCTION AND OTHER COMMITMENTS**

As of December 31, 2001, the City had an unpaid commitment of \$1,162,428 with respect to construction of a new municipal building complex. Of this amount, \$415,855 is recorded as contract and retainage payable in the capital projects fund. The City had a second unpaid commitment of \$643,596 for the purchase of a new fire truck. This is recorded as a contracts payable in the capital projects fund.

The City had no material operating lease commitments at December 31, 2001.

NOTE 14: **FUND EQUITY**

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

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

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

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

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

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 15: **RISK MANAGEMENT**

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

Claims have not exceeded coverage provided by NORMA in any of the last three years. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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

NOTE 16: **JOINTLY GOVERNED ORGANIZATIONS**

**NORMA Self-Insurance Pool, Inc.**

NORMA is a shared risk pool comprised of the cities of Bedford Heights, Chagrin Falls, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, and South Euclid. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a Board of Trustees that consists of the directors of the finance departments from each of the participating members.

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

CITY OF MAYFIELD HEIGHTS, OHIO  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(CONTINUED)

NOTE 16: **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

**NORMA Self-Insurance Pool, Inc.** (Continued)

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 \$100,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop loss coverage carried by the pool. Any losses over these amounts would be covered by the pool's excess insurance coverage which is \$10 million aggregate. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2001, the City of Mayfield Heights paid \$103,265 in premiums and loss fund contributions. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio 44146.

NOTE 17: **SUBSEQUENT EVENTS**

The City issued new debt in February 2002 in the amount of \$7,000,000. The purpose of the new debt is for improvements of the municipal complex by constructing, equipping, and furnishing a fire station, as well as constructing, renovating, equipping, furnishing, and improving administrative and other offices and facilities, improving parking facilities, landscaping, and making other site improvements.

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
*5240 East 98<sup>th</sup> Street*  
*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

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

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

We have audited the general purpose financial statements of the City of Mayfield Heights, Ohio (the City), as of and for the year ended December 31, 2001, and have issued our report thereon dated May 10, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.\* The results of our tests disclosed immaterial instances of noncompliance that is required to be reported under Government Auditing Standards which we have reported to the management of the City of Mayfield Heights, Ohio, in a separate letter dated May 10, 2002.

**Internal Control Over Financial Reporting**

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

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

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

We noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated May 10, 2002.

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

May 10, 2002

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James G. Zupka  
Certified Public Accountant

CITY OF MAYFIELD HEIGHTS, OHIO  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2001

The prior audit report, as of December 31, 2000, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit report.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**CITY OF MAYFIELD HEIGHTS**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 16, 2002**