



**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Independent Accountants' Report | 1 |
| Management's Discussion and Analysis | 3 |
| Basic Financial Statements | |
| Government-wide Financial Statements – Fiscal Year 2005: | |
| Statement of Net Assets – Modified Cash Basis | 11 |
| Statement of Activities – Modified Cash Basis | 12 |
| Fund Financial Statements – Fiscal Year 2005: | |
| Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds | 13 |
| Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities | 14 |
| Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis 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 Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund | 17 |
| Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Sanitary Sewer Relief Fund | 18 |
| Statement of Fiduciary Net Assets – Modified Cash Basis | 19 |
| Notes to the Basic Financial Statements | 21 |
| Schedule of Federal Awards Expenditures | 37 |
| Notes to the Schedule of Federal Awards Expenditures | 38 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 39 |
| Independent Accountants' Report on Compliance with Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 | 41 |
| Schedule of Findings | 43 |
| Schedule of Prior Year Findings | 47 |

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Mayfield
Cuyahoga County
6622 Wilson Mills Road
Mayfield Village, Ohio 44143

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Mayfield, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Mayfield, Cuyahoga County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General and Sanitary Sewer Relief funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Village's basic financial statements. The accompanying schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

September 5, 2006

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited**

This discussion and analysis of the performance of the Village of Mayfield, Cuyahoga County, Ohio, (the Village) financial provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$1,502,084 or 37.6 percent, a significant increase over 2004. However, these numbers are misleading given the amount of grant and loan reimbursement expected in the S.O.M. Center Road Widening Project fund in 2006. There is a lag from the time expenditures for the project are incurred to the time the Village is reimbursed for those expenditures. The fund balance in the General Fund decreased \$515,322. However, that is offset by an increase in the Civic Center Special Revenue Fund of \$387,725. The Civic Center Special Revenue Fund had expenditures of more than \$400,000, most of which represents the initial costs of occupying the Civic Center. The Civic Center was funded almost entirely by a transfer from the General Fund.
- There were no negative cash fund balances at December 31, 2005. The lag from the time expenditures from grants and loans are made to the time the Village is reimbursed for those expenditures was not as prevalent in 2005 as the prior year. As a result, the S.O.M. Center Road Widening Project capital projects fund, which had a negative cash balance of \$1,127,570 at December 31, 2004, had an increase in revenues and had a cash balance of \$34,833 at December 31, 2005.
- The Village's general receipts are primarily made up of income taxes, property taxes, and tax incremental financing revenue or payments in lieu of taxes, which are included in the property taxes line item in the basic financial statements. Property taxes increased by \$15,473 or 1.7%, municipal income taxes increased \$882,380 or 9.7%, and payments in lieu of taxes increased \$172,948 or 37.0%. The increase in payments in lieu of taxes is due mainly to the fact that the Village received its first receipt of payments in lieu of taxes from the Governor's Village and Altercare projects.
- Total disbursements decreased \$665,671 or 3.0% as compared to 2004. Though the project was substantially completed in 2005, expenditures for the S.O.M. Center Road Widening Project actually decreased by more than \$2 million to 2004. Expenditures in the General Fund increased by more than \$1.4 million. Expenditures for the Upper 40 Stormwater fund increased approximately \$500,000. The Upper 40 project was also substantially completed in 2005. The Upper 40 project was the culmination of four decades of stormwater problems which resulted in the restoration of more than a mile of the Upper 40 streambed. The ballfields south of Parkview were also completed in 2005. Expenditures for that project were much less than in 2004. Finally, the new Civic Center accounted for approximately \$400,000 of expenditures in its first year of occupancy. The former Mayfield Methodist Church now houses the Administrative Office, the Building and Recreation Department, and the Finance Department. Discussions with the Fairmount Center for the Performing Arts are underway to see if a mutually advantageous arrangement can be reached for housing the Center's functions at the Civic Center.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited
(Continued)**

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited
(Continued)**

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting.

In the statement of net assets and the statement of activities, we express the Village's activities as the following:

Governmental activities. The Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, General Bond Retirement, Sanitary Sewer Relief Fund, and S.O.M. Center Road Widening Project funds. The programs reported in governmental funds are the same as those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited
(Continued)**

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)
Net Assets

| | Governmental Activities | |
|---------------------------|-------------------------|-------------|
| | 2005 | 2004 |
| Assets | | |
| Cash and Cash Equivalents | (\$243,702) | \$1,553,423 |
| Investments | 5,744,972 | 2,445,763 |
| Total Assets | 5,501,270 | 3,999,186 |
| Net Assets | | |
| Restricted for: | | |
| Debt Service | 897,453 | 800,797 |
| Capital Outlay | 796,731 | 0 |
| Other Purposes | 1,998,463 | 1,206,875 |
| Unrestricted | 1,808,623 | 1,991,514 |
| Total Net Assets | \$5,501,270 | \$3,999,186 |

As mentioned previously, net assets of governmental activities increased \$1,502,084 or 37.6 percent during 2005. The primary reasons contributing to the increase in cash balances were due to an increase in income taxes receipts and proceeds from loans.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited
(Continued)**

Table 2 reflects components of the changes in net assets in 2005 and 2004 on a modified cash basis.

(Table 2)
Changes in Net Assets

| | Governmental Activities | |
|--|---------------------------|---------------------------|
| | 2005 | 2004 |
| Receipts: | | |
| Program Receipts: | | |
| Charges for Services and Sales | \$763,375 | \$759,262 |
| Operating Grants and Special Assessments | 218,819 | 100,981 |
| Capital Grants and Special Assessments | 3,212,560 | 4,185,517 |
| Total Program Receipts | <u>4,194,754</u> | <u>5,045,760</u> |
| General Receipts: | | |
| Property and Other Local Taxes | 1,560,711 | 1,372,290 |
| Income Taxes | 9,931,141 | 9,048,761 |
| Grants and Entitlements Not Restricted to Specific Programs | 765,867 | 1,231,161 |
| Proceeds of Notes | 4,000,000 | 4,500,000 |
| Premium on Debt Issue | 26,520 | 50,265 |
| Proceeds from OPWC Loans | 344,217 | 189,124 |
| Proceeds from S.I.B. Loans | 1,647,538 | 522,658 |
| Sale of Capital Assets | 27,119 | 37,827 |
| Investment Income | 275,199 | 435,160 |
| Miscellaneous | 356,409 | 263,176 |
| Total General Receipts | <u>18,934,721</u> | <u>17,650,422</u> |
| Total Receipts | <u>23,129,475</u> | <u>22,696,182</u> |
| Disbursements: | | |
| General Government | 2,749,497 | 1,943,351 |
| Security of Persons and Property | 4,426,766 | 4,133,555 |
| Public Health Services | 13,754 | 16,887 |
| Leisure Time Activities | 888,846 | 752,018 |
| Community Environment | 319,147 | 381,876 |
| Basic Utility Services | 997,770 | 150,548 |
| Transportation | 1,893,884 | 1,571,853 |
| Capital Outlay | 5,108,620 | 7,621,564 |
| Principal Retirement | 4,832,879 | 5,248,938 |
| Interest and Fiscal Charges | 396,228 | 472,472 |
| Total Disbursements | <u>21,627,391</u> | <u>22,293,062</u> |
| Increase (Decrease) in Net Assets | 1,502,084 | 403,120 |
| Net Assets, January 1 (Restated - See Note 10) | <u>3,999,186</u> | <u>3,596,066</u> |
| Net Assets, December 31 | <u><u>\$5,501,270</u></u> | <u><u>\$3,999,186</u></u> |

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited
(Continued)**

Program receipts represent 18.1 percent of total receipts in 2005 and consist primarily of capital grants.

General receipts represent 81.9 percent of the Village's total receipts, and of this amount, 60.7 percent are income and property and other taxes. State and federal grants and entitlements and debt issued make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of the Mayor's Office, Council, the Finance and Economic Development Office, the Law Department and other departments.

Security of Persons and Property are the costs of police, fire protection and emergency medical services. Public Health Services consist of payments to the Dog Warden, payments to the Cuyahoga County Board of Health and the Flu Shot program. Leisure Time Activities is the maintenance of the parks and playing fields. Transportation is the cost of maintaining the Village roads.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities were for Capital Outlay, Principal Retirement, and Security of Persons and Property, which account for 23.62, 22.3, and 20.5 percent of cash disbursements for governmental activities, respectively. General Government also represented a significant cost of 12.7 percent of cash disbursements for governmental activities. The next three columns of the Statement, entitled Program Cash Receipts, identify amounts paid by people who are directly charged for the service and grants and special assessments received by the Village that must be used to provide a specific service. The net (Disbursements) Receipts and Changes in Net Assets column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

| | Total Cost Of Services 2005 | Net Cost of Services 2005 |
|----------------------------------|-----------------------------------|---------------------------------|
| General Government | \$2,749,497 | (\$2,270,857) |
| Security of Persons and Property | 4,426,766 | (4,084,956) |
| Public Health Services | 13,754 | (10,754) |
| Leisure Time Activities | 888,846 | (887,360) |
| Community Environment | 319,147 | (297,867) |
| Basic Utilities | 997,770 | (538,373) |
| Transportation | 1,893,884 | (1,757,906) |
| Capital Outlay | 5,108,620 | (2,475,521) |
| Principal Retirement | 4,832,879 | (4,712,815) |
| Interest and Fiscal Charges | 396,228 | (396,228) |
| Total Expenses | \$21,627,391 | (\$17,432,637) |

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited
(Continued)**

The dependence upon property and income tax receipts is apparent as over 80 percent of governmental activities are supported through these general receipts.

The Village's Funds

Total governmental funds had receipts of \$23,129,475 and disbursements of \$21,627,391. The greatest change within governmental funds occurred within the S.O.M. Center Road Fund where the fund balance increased by \$1,162,403. As discussed earlier, this surplus is the result of the period of time between the time the expenditure occurred and the time the Village received its reimbursement. The fund balance of the General Fund decreased \$515,322 or 22.2%, primarily the result of increased transfers out of the General Fund during 2005.

General Fund disbursements were more than receipts by \$515,322 indicating that the General Fund depleted its cash reserve, primarily a result of increased transfers out of the General Fund during 2005. As in the past, the reserve would have been higher but the Village Administration with the approval of the Council elected to transfer significant amounts of cash from the General Fund to Capital Improvement Projects in effort to either decrease the need for present and future borrowing or to leverage outside dollars in the form of matching grants and/or low interest loans.

General Fund Budgeting Highlight

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to higher than budgeted growth in tax receipts. This is not to say that the higher levels of some taxes, such as income taxes, were unexpected. The Village estimates future municipal income taxes in a very conservative manner in anticipation of possible unforeseen circumstances that may cause a drop in the expected level of income taxes. However, other taxes such as the inheritance tax, are very difficult to forecast. In 2005, actual receipts were \$1,572,462 less than the final budgeted receipts. Actual budgetary disbursements were \$810,822 less than the final budgeted disbursements.

Capital Assets and Debt Administration

Capital Assets

The Village maintains capital asset listings of its land, buildings, and vehicles. Other capital assets are not maintained on detailed capital asset listing. These records are not required to be presented in the financial statements.

Debt

At December 31, 2005, the Village had outstanding debt in the amount of \$11,939,040.

The Village's debt at December 31, 2005 included \$1,990,000 in general obligation bonds issued for construction of the Fire Station.

In addition, the Village has \$4,000,000 million in Bond Anticipation Notes which are used to finance the purchase of Parkview Golf Course, and the construction of the Parkview Ballfields.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited
(Continued)**

Also included in the Villages debt at December 31, 2005 is \$199,176 in Ohio EPA Supplement loans which relate to the Worton Park Sanitary Sewer System Project. The Village also has an Ohio Public Works Commission (OPWC)/Issue II interest free loans with the remaining principal amount of \$164,631 which relates to the Worton Park Sanitary Sewer System Project. The debt service on the loans related to the Worton Park Sanitary Sewer System Project is offset by the \$35,000 annual special assessments collected from the residents of Worton Park.

In addition to more than \$9,400,000 million in grants, the S.O.M. Center Road Widening Project is financed through an OPWC/Issue II interest free loan. The final loan amount is estimated to be \$902,368. At December 31, 2005, the Village had received \$608,002 of the loan. In addition to the OPWC loan, the Village has two State Infrastructure Bank (S.I.B.) Loans from the Ohio Department of Transportation. The first S.I.B. loan is being repaid over a seventeen year period with a 4% interest rate. As of December 31, 2005, the outstanding balance of the first S.I.B. loan was \$2,807,034. The second S.I.B. loan will be repaid over nine years with a 3% interest rate. The loan includes a one-time upfront administrative fee of \$10,000. Including the administrative fee of \$10,000, the outstanding balance of the second S.I.B. loan as of December 31, 2005 was \$2,170,197. The debt service payments for both S.I.B. loans are offset by \$80,000 annual special assessments paid by Progressive Insurance Company and annual Tax Incremental Financing Payments or Payments in Lieu of Taxes of approximately \$900,000 per year.

For further information regarding the Village's debt, refer to Note 7 to the basic financial statements.

Current Issues

The challenge for the Village has been to balance development while maintaining the distinct characteristics that distinguish the Village. Village revenues continue to improve while tax rates attributable to the Village gradually decrease. Rather than increase operational expenses, the Village has elected to reinvest revenues into physical and economic infrastructures. The Village is preparing to launch the next phase of this development. As the S.O.M. Center Road Widening Project nears completion, the Village will begin to negotiate with businesses and developers interested in developing in the Northwest Quadrant and reinvest and redevelop Beta Drive. These plans will require substantial investments by the Village. Additionally, the Village is looking to continue integrating the personnel and programs of the Fairmount Center for the Performing Arts into the physical plan of the newly renovated Civic Center.

Contacting Mayfield Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Philip M. Brett, CPA, Director of Finance and Economic Development, Mayfield Village, 6622 Wilson Mills Road, Mayfield Village, Ohio 44143, Work Phone: (440) 461-2213; Mobile Phone: (216) 970-8202; e-mail: pbrett@ix.netcom.com; website: www.MayfieldVillage.com.

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Statement of Net Assets - Modified Cash Basis
December 31, 2005

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | (\$243,702) |
| Investments | 5,744,972 |
| <i>Total Assets</i> | \$5,501,270 |
| Net Assets | |
| Restricted for: | |
| Capital Projects | \$796,731 |
| Debt Service | 897,453 |
| Other Purposes | 1,998,463 |
| Unrestricted | 1,808,623 |
| <i>Total Net Assets</i> | \$5,501,270 |

See accompanying notes to the basic financial statements.

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

| | General | Sanitary Sewer Relief | General Bond Retirement | S.O.M. Center Road Widening Project | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|--------------------------|----------------------------|---|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | (\$62,397) | (\$44,631) | (\$44,064) | (\$1,710) | (\$90,900) | (\$243,702) |
| Investments | 1,871,020 | 953,636 | 941,517 | 36,543 | 1,942,256 | 5,744,972 |
| <i>Total Assets</i> | <u>\$1,808,623</u> | <u>\$909,005</u> | <u>\$897,453</u> | <u>\$34,833</u> | <u>\$1,851,356</u> | <u>\$5,501,270</u> |
| Fund Balances | | | | | | |
| Reserved: | | | | | | |
| Reserved for Encumbrances | \$828,652 | \$0 | \$770 | \$500,929 | \$413,964 | \$1,744,315 |
| Unreserved: | | | | | | |
| Undesignated (Deficit), Reported in: | | | | | | |
| General Fund | 979,971 | 0 | 0 | 0 | 0 | 979,971 |
| Special Revenue Funds | 0 | 909,005 | 0 | 0 | 852,955 | 1,761,960 |
| Debt Service Fund | 0 | 0 | 896,683 | 0 | 0 | 896,683 |
| Capital Projects Funds | 0 | 0 | 0 | (466,096) | 584,437 | 118,341 |
| <i>Total Fund Balances</i> | <u>\$1,808,623</u> | <u>\$909,005</u> | <u>\$897,453</u> | <u>\$34,833</u> | <u>\$1,851,356</u> | <u>\$5,501,270</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2005*

| | |
|--|--------------------|
| Total Governmental Fund Balances | <u>\$5,501,270</u> |
| <i>Net Assets of Governmental Activities</i> | <u>\$5,501,270</u> |

See accompanying notes to the basic financial statements.

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

| | General | Sanitary Sewer Relief | General Bond Retirement | S.O.M. Center Road Widening Project | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|--------------------------|----------------------------|---|--------------------------------|--------------------------------|
| Receipts | | | | | | |
| Municipal Income Taxes | \$9,931,141 | \$0 | \$0 | \$0 | \$0 | \$9,931,141 |
| Property and Other Local Taxes | 285,847 | 0 | 1,068,041 | 0 | 206,823 | 1,560,711 |
| Special Assessments | 0 | 0 | 120,064 | 0 | 80,509 | 200,573 |
| Charges for Services | 468,167 | 0 | 0 | 0 | 4,797 | 472,964 |
| Fines, Licenses and Permits | 258,252 | 0 | 0 | 0 | 32,159 | 290,411 |
| Intergovernmental | 635,619 | 0 | 118,482 | 2,483,099 | 773,272 | 4,010,472 |
| Investment Income | 271,722 | 0 | 0 | 0 | 3,477 | 275,199 |
| Miscellaneous | 315,097 | 0 | 0 | 0 | 41,312 | 356,409 |
| <i>Total Receipts</i> | <u>12,165,845</u> | <u>0</u> | <u>1,306,587</u> | <u>2,483,099</u> | <u>1,142,349</u> | <u>17,097,880</u> |
| Disbursements | | | | | | |
| Current: | | | | | | |
| General Government | 2,292,479 | 0 | 7,344 | 0 | 440,559 | 2,740,382 |
| Security of Persons and Property | 4,208,240 | 0 | 0 | 0 | 218,526 | 4,426,766 |
| Public Health Services | 12,372 | 0 | 0 | 0 | 1,382 | 13,754 |
| Leisure Time Activities | 887,346 | 0 | 0 | 0 | 1,500 | 888,846 |
| Community Environment | 318,875 | 0 | 0 | 0 | 272 | 319,147 |
| Basic Utility Services | 191,659 | 0 | 0 | 0 | 806,111 | 997,770 |
| Transportation | 1,828,307 | 0 | 0 | 0 | 65,577 | 1,893,884 |
| Capital Outlay | 1,134,893 | 0 | 0 | 3,648,652 | 325,075 | 5,108,620 |
| Debt Service: | | | | | | |
| Principal Retirement | 0 | 0 | 4,832,879 | 0 | 0 | 4,832,879 |
| Interest and Fiscal Charges | 0 | 0 | 396,228 | 0 | 0 | 396,228 |
| <i>Total Disbursements</i> | <u>10,874,171</u> | <u>0</u> | <u>5,236,451</u> | <u>3,648,652</u> | <u>1,859,002</u> | <u>21,618,276</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>1,291,674</u> | <u>0</u> | <u>(3,929,864)</u> | <u>(1,165,553)</u> | <u>(716,653)</u> | <u>(4,520,396)</u> |
| Other Financing Sources (Uses) | | | | | | |
| Proceeds from Notes | 0 | 0 | 4,000,000 | 0 | 0 | 4,000,000 |
| Proceeds from OPWC Loans | 0 | 0 | 0 | 330,418 | 0 | 330,418 |
| Proceeds from S.I.B. Loans | 0 | 0 | 0 | 1,647,538 | 0 | 1,647,538 |
| Premium on Debt Issue | 0 | 0 | 26,520 | 0 | 0 | 26,520 |
| Sale of Capital Assets | 27,119 | 0 | 0 | 0 | 0 | 27,119 |
| Transfers In | 0 | 200,000 | 0 | 350,000 | 1,275,000 | 1,825,000 |
| Transfers Out | (1,825,000) | 0 | 0 | 0 | 0 | (1,825,000) |
| Other Financing Uses | (9,115) | 0 | 0 | 0 | 0 | (9,115) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(1,806,996)</u> | <u>200,000</u> | <u>4,026,520</u> | <u>2,327,956</u> | <u>1,275,000</u> | <u>6,022,480</u> |
| <i>Net Change in Fund Balances</i> | (515,322) | 200,000 | 96,656 | 1,162,403 | 558,347 | 1,502,084 |
| <i>Fund Balances Beginning of Year (Restated - See Note 10)</i> | <u>2,323,945</u> | <u>709,005</u> | <u>800,797</u> | <u>(1,127,570)</u> | <u>1,293,009</u> | <u>3,999,186</u> |
| <i>Fund Balances End of Year</i> | <u>\$1,808,623</u> | <u>\$909,005</u> | <u>\$897,453</u> | <u>\$34,833</u> | <u>\$1,851,356</u> | <u>\$5,501,270</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2005*

| | |
|---|--------------------|
| Net Change in Fund Balances - Total Governmental Funds | <u>\$1,502,084</u> |
| <i>Change in Net Assets of Governmental Activities</i> | <u>\$1,502,084</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

*Statement of Receipts, Disbursements, and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005*

| | Budgeted Amounts | | Actual | Variance with |
|--|---------------------------|---------------------------|-------------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Receipts | | | | |
| Municipal Income Taxes | \$10,151,516 | \$12,350,069 | \$9,931,141 | (2,418,928) |
| Property and Other Local Taxes | 195,624 | 195,624 | 285,847 | 90,223 |
| Charges for Services | 380,155 | 380,155 | 468,167 | 88,012 |
| Licenses, Permits, and Fees | 221,386 | 221,386 | 258,252 | 36,866 |
| Intergovernmental | 334,528 | 334,528 | 635,619 | 301,091 |
| One Time Sale of Stock | 400,000 | 0 | 0 | 0 |
| Interest | 51,470 | 51,470 | 271,722 | 220,252 |
| Miscellaneous | 205,075 | 205,075 | 315,097 | 110,022 |
| <i>Total receipts</i> | <u>11,939,754</u> | <u>13,738,307</u> | <u>12,165,845</u> | <u>(1,572,462)</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 2,079,485 | 2,356,403 | 2,495,936 | (139,533) |
| Security of Persons and Property | 4,142,767 | 4,389,510 | 4,395,930 | (6,420) |
| Public Health Services | 12,500 | 12,600 | 13,849 | (1,249) |
| Leisure Time Activities | 854,270 | 952,030 | 925,168 | 26,862 |
| Community Environment | 331,850 | 427,150 | 507,084 | (79,934) |
| Basic Utility Services | 164,536 | 445,000 | 217,531 | 227,469 |
| Transportation | 1,774,600 | 1,874,000 | 1,904,871 | (30,871) |
| Capital Outlay | 1,335,000 | 1,228,300 | 1,242,454 | (14,154) |
| <i>Total Disbursements</i> | <u>10,695,008</u> | <u>11,684,993</u> | <u>11,702,823</u> | <u>(17,830)</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>1,244,746</u> | <u>2,053,314</u> | <u>463,022</u> | <u>(1,590,292)</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 50,000 | 50,000 | 27,119 | (22,881) |
| Transfers In | 400,000 | 400,000 | 0 | (400,000) |
| Transfers Out | (1,825,000) | (1,837,015) | (1,825,000) | 12,015 |
| Other Financing Uses | (12,250) | (10,250) | (9,115) | 1,135 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(1,387,250)</u> | <u>(1,397,265)</u> | <u>(1,806,996)</u> | <u>(409,731)</u> |
| <i>Net Change in Fund Balance</i> | (142,504) | 656,049 | (1,343,974) | (2,000,023) |
| <i>Fund Balance Beginning of Year</i> | <u>930,366</u> | <u>930,366</u> | <u>930,366</u> | <u>0</u> |
| Prior Year Encumbrances Appropriated | <u>1,393,579</u> | <u>1,393,579</u> | <u>1,393,579</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u><u>\$2,181,441</u></u> | <u><u>\$1,586,415</u></u> | <u><u>\$979,971</u></u> | <u><u>(\$2,000,023)</u></u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

*Statement of Receipts, Disbursements, and Changes
In Fund Balance - Budget and Actual - Budget Basis
Sanitary Sewer Relief Fund
For the Year Ended December 31, 2005*

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| <i>Total receipts</i> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Disbursements | | | | |
| Current: | | | | |
| Basic Utility Services | <u>900,000</u> | <u>900,000</u> | <u>0</u> | <u>900,000</u> |
| <i>Total Disbursements</i> | <u>900,000</u> | <u>900,000</u> | <u>0</u> | <u>900,000</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(900,000)</u> | <u>(900,000)</u> | <u>0</u> | <u>900,000</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | <u>200,000</u> | <u>200,000</u> | <u>200,000</u> | <u>0</u> |
| <i>Total Other Financing Sources (Uses)</i> | <u>200,000</u> | <u>200,000</u> | <u>200,000</u> | <u>0</u> |
| <i>Net Change in Fund Balance</i> | <u>(700,000)</u> | <u>(700,000)</u> | <u>200,000</u> | <u>900,000</u> |
| <i>Fund Balance Beginning of Year</i> | <u>709,005</u> | <u>709,005</u> | <u>709,005</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$9,005</u> | <u>\$9,005</u> | <u>\$909,005</u> | <u>\$1,800,000</u> |

See accompanying notes to the basic financial statements.

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
December 31, 2005

| | Agency |
|--|-----------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$316,328 |
| Investments | 26,406 |
| <i>Total Assets</i> | \$342,734 |
| Net Assets | |
| Unrestricted | \$342,734 |

See accompanying notes to the basic financial statements.

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**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005**

NOTE 1 – REPORTING ENTITY

The Village of Mayfield, Cuyahoga County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a seven-member Council and Mayor.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads and bridges, rubbish collection, park operations, and police and fire services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village had no component units.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash and investment balances of the governmental of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village 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. Fiduciary funds are reported by type.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are as follows:

General Fund – The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Sanitary Sewer Relief Fund – This fund received transfers from the general fund for future sanitary sewer repairs.

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

S.O.M. Center Road Widening Project – This fund receives grants, loans, and transfers from the General Fund which are used to account for the acquisition of property, widening, and signalization of S.O.M. Center Road and White Road in the Village.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village's had no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for Contractors Performance Binds and Police Bail Bonds.

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the fund, function level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Director of Finance. 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 certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance 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 final appropriation amounts passed by the Village Council during the year.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Village invested in overnight repurchase agreements, savings bonds, anthem stock and STAR Ohio. The Village's investments are recorded at the amount reported by at December 31, 2005.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 amounted to \$121,487 which includes \$82,813 assigned from other Village funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village had no restricted assets.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accumulated Leave

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

J. Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for sanitary sewer relief, street lighting, street, construction, maintenance and repair and the civic center.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. The Village has no designations. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

For 2005, the Village implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". GASB Statement No. 40 establishes new disclosure requirements for risk associated with deposits and investments.

In 2004, the Village received stock as a result of the demutualization of Anthem Blue Cross and Blue Shield Insurance Company. The value of the stock received as of December 31, 2004 was \$387,550. This resulted in an understatement of investment income and fund balance in the General Fund. Therefore, the General Fund balance at December 31, 2004 was restated from \$1,936,395 to \$2,323,945.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. Expenditures Plus Encumbrances Exceeding Appropriations

As of August 31, 2005, the following fund had expenditures plus encumbrances in excess of appropriations in violation of Ohio Revised Code Section 5705.41(B):

| <u>Fund Description</u> | <u>Appropriations as of August 31, 2005</u> | <u>Expenditures Plus Encumbrances as of August 31, 2005</u> | <u>Variance</u> |
|-------------------------|---|---|-----------------|
| Agency Funds: | | | |
| Contractor's Retainage | \$847,169 | \$995,019 | \$147,850 |

This variance was corrected by December 31, 2005.

B. Appropriations Exceeding Estimated Resources

As of August 31, 2005, the following fund had appropriations in excess of estimated resources in violation of Ohio Revised Code Sections 5705.39:

| <u>Fund Description</u> | <u>Estimated Resources as of August 31, 2005</u> | <u>Appropriations as of August 31, 2005</u> | <u>Variance</u> |
|-------------------------|--|---|-----------------|
| General Fund | \$12,531,123 | \$12,532,258 | \$1,135 |

This variance was corrected by December 31, 2005.

C. Negative Cash Fund Balance

As of August 31, 2005, the State Highway special revenue fund had a negative cash fund balance of \$7,852, the Upper 40 Project/Issue II and the S.O.M. Center Widening Project capital projects funds had a negative cash fund balances of \$36,876 and \$980,202, respectively. The North Commons TIF and the Governor's Village TIF debt service funds had negative cash fund balances of \$573,423 and \$12,949, respectively. These negative cash fund balances are in violation of Ohio Revised Code Section 5705.10.

The negative fund balances were corrected by December 31, 2005.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is (*and any major special revenue fund are*) prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$828,652 for the General Fund and \$0 for Sanitary Sewer Relief Special Revenue Fund.

NOTE 6 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Village 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 Village 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 the 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 and 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;

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds 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 the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit account, including, but not limited to, passbook accounts;
5. Bonds and other obligation of the State of Ohio;
6. 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;
7. The State Treasurer's investment pool (STAROhio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 a Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Village had a book balance of \$72,626. Of the Village's bank balance of \$421,896, \$321,896 was collateralized but uninsured. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the FDIC.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

Investments

As of December 31, 2005, the Village had the following investments:

| <u>Investment Type</u> | <u>Carrying Value</u> | <u>Investment Maturity</u> |
|------------------------|-----------------------|----------------------------|
| StarOhio | \$3,930,386 | 30 days |
| Savings Bond | 1,000 | 13 years |
| Overnight Repurchase | 1,302,207 | 1 day |
| Anthem Stock | 537,785 | 1 day |
| Total | <u>\$5,771,378</u> | |

The weighted average maturity is 22 days.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Village's investment policy limits investment portfolio maturities to five year or less.

Credit Risk: The Village's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned Star Ohio an AAAM money market rating and an A+ rating for the Anthem Stock.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the Village's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Village.

NOTE 7 – INCOME TAXES

The Village levied a municipal income tax of one and one-half percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

The Village has contracted with the Regional Income Tax Agency (RITA) for the collection of income taxes. Employers within the Village withhold income tax on employee compensation and remit the tax to the RITA either monthly or quarterly, as required. RITA distributes to the Village its portion of income tax monthly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 8 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005, was \$7.30 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

| | |
|----------------------------|----------------------|
| Real Property | |
| Residential/Agricultural | \$96,836,980 |
| Other Real Estate | 61,691,340 |
| Public Utility Property | 4,243,350 |
| Tangible Personal Property | 20,037,058 |
| Total Assessed Value | <u>\$182,808,728</u> |

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 9 – RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

There was no significant reduction in insurance coverage nor did claims exceed coverage over the last three years.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 the 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 to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$286,262, \$267,976, and \$203,837 respectively. The full amount has been contributed for 2005, 2004 and 2003.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The Village's required contributions to the Fund for police and firefighters were \$137,257 and \$115,269 for the year ended December 31, 2005, \$130,712 and \$113,045 for the year ended December 31, 2004, and \$133,262 and \$106,731 for the year ended December 31, 2003. The full amount has been contributed for 2005, 2004 and 2003.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$119,900. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. 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 full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund postemployment benefits were \$90,531 for police and \$54,974 for firefighters. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341.

The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

NOTE 12 - NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2005, follows:

| | Interest Rate | Balance December 31, 2004 | Additions | Reductions | Balance December 31, 2005 |
|--------------------------------|------------------|---------------------------------|-------------|-------------|---------------------------------|
| <u>Governmental Activities</u> | | | | | |
| <u>Bond Anticipation Note</u> | | | | | |
| 2005 Issue | 3.75% | \$4,500,000 | \$4,000,000 | \$4,500,000 | \$4,000,000 |

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 13 – DEBT

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

| | Interest Rate | Balance December 31, 2004 | Additions | Reductions | Balance December 31, 2005 | Due Within One Year |
|---|------------------|---------------------------------|--------------------|------------------|------------------------------------|------------------------------|
| <u>Governmental Activities</u> | | | | | | |
| General Obligation Bonds | | | | | | |
| 1996 Issue (Original Issue \$2,250,000) | 4.48% | \$2,125,000 | \$ 0 | \$ 135,000 | \$1,990,000 | \$140,000 |
| 1994 OWDA Loan – Worton Park (Original Amount \$299,329) | 0% | 187,081 | 0 | 22,450 | 164,631 | 7,483 |
| 1998 OWDA Loan S.O.M. Widening | 0% | 313,633 | 330,418 | 0 | 644,051 | 0 |
| 1995/1996 Ohio EPA Loan (Original Amount \$309,370) | 4.04-4.16% | 213,624 | 0 | 14,448 | 199,176 | 15,050 |
| 1998 - State Infrastructure Bank Loan (Original Amount \$3,948,000) | 4.00% | 2,968,015 | 0 | 160,981 | 2,807,034 | 388,261 |
| 2004 - State Infrastructure Bank Loan (Original Amount \$2,170,196) | 3.00% | 522,658 | 1,647,539 | 0 | 2,170,196 | 213,425 |
| Total Governmental Activities | | \$6,330,011 | \$1,977,957 | \$332,879 | \$7,975,088 | \$553,593 |

The Ohio Public Works Commission (Issue II) Loans are interest free loans. The \$164,631 in principal relates to the Worton Park Sanitary Sewer System construction. The loan will be repaid over twenty years at 0% interest. The \$608,002 in principal relates to the S.O.M. Center Road Widening Project. The total loan amount for the S.O.M. Center Road Widening Project is projected to be \$902,368. As of December 31, 2005, only \$608,002 had been received by the Village. The loan will be repaid over 20 years at 0% interest. The final payment schedule will not be completed nor is a payment due until the completion of the project in 2006.

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

The Bond Anticipation Note was issued for the acquisition of real estate. The Bond Anticipation Note will mature in September 2006. The Village will pay \$150,000 in nominal interest or net interest of \$123,480 (\$150,000 nominal interest less the premium paid for the Bond Anticipation Note of \$26,520).

The State Infrastructure Bank (S.I.B.) Loans (economic development division of the Ohio Department of Transportation) are for the completion of the North Commons Boulevard and Parkview Drive Construction on the interior roadway project and the engineering and the right-of-way acquisition for the widening of S.O.M. Center Road. The loan will be repaid in part by the proceeds of a Tax Incremental Financing Plan (T.I.F.) agreed to between the Progressive Casualty Insurance Company and the Village in 1999. The Village has assigned the future proceeds of the T.I.F. to the Ohio Department of Transportation. The first S.I.B. Loan was issued in 1998 and is being repaid over seventeen years at an interest rate of 4%. In 2005, the Village received \$1,647,538 additional monies for the second S.I.B. Loan. The Village will begin repaying the loan in 2006. The loan will be repaid over nine years at an interest rate of 3%.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 13 – DEBT (Continued)

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

| | <u>OPWC Loan - Worton Park</u> | <u>General Obligation Bonds</u> | <u>Ohio EPA Supplmental Loan</u> | <u>State Infrastructure Bank Loans</u> |
|--------------------------|------------------------------------|---|--|--|
| Year ending December 31: | | | | |
| 2006 | \$14,967 | \$244,228 | \$22,851 | \$328,240 |
| 2007 | 14,967 | 242,578 | 22,851 | 328,240 |
| 2008 | 14,967 | 245,545 | 22,851 | 328,240 |
| 2009 | 14,967 | 252,873 | 22,851 | 328,240 |
| 2010 | 14,967 | 244,713 | 22,851 | 328,240 |
| 2011 - 2015 | 74,835 | 1,217,094 | 114,255 | 1,641,200 |
| 2016 - 2020 | 14,961 | 242,363 | 11,425 | 492,360 |
| Total | <u>\$164,631</u> | <u>\$2,689,394</u> | <u>\$239,935</u> | <u>\$3,774,760</u> |

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VILLAGE OF MAYFIELD
CUYAHOGA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005

| <u>Federal Grantor/ Pass Through Grantor Program Title</u> | <u>Pass Through Entity Number</u> | <u>Federal CFDA Number</u> | <u>Disbursements</u> |
|--|---|------------------------------------|----------------------------------|
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | |
| <i>Passed Through Ohio Department of Transportation:</i> | | | |
| Highway Planning and Construction | 78322 | 20.205 | <u>\$1,128,541</u> |
| Total Federal Assistance | | | <u><u>\$1,128,541</u></u> |

The accompanying notes to this schedule are an integral part of this schedule.

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2005**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.



Auditor of State Betty Montgomery

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

Village of Mayfield
Cuyahoga County
6622 Wilson Mills Road
Mayfield Village, Ohio 44143

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Mayfield, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 5, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-01 and 2005-02. In a separate letter to the Village's management dated September 5, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, the Village Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 5, 2006



**Auditor of State
Betty Montgomery**

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

Village of Mayfield
Cuyahoga County
6622 Wilson Mills Road
Mayfield Village, Ohio 44143

To the Village Council:

Compliance

We have audited the compliance of the Village of Mayfield, Cuyahoga County, Ohio, (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Mayfield, Cuyahoga County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

We intend this report solely for the information and use of the audit committee, management, Village Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 5, 2006

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | No |
| (d)(1)(vii) | Major Programs (list): | Highway Planning and Construction |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: All others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

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

| | |
|-----------------------|-----------------|
| Finding Number | 2005-001 |
|-----------------------|-----------------|

NEGATIVE CASH FUND BALANCES

Ohio Rev. Code Section 5705.10 states, in part, that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

As of August 31, 2005, the State Highway special revenue fund had a negative cash fund balance of \$7,852, the Upper 40 Project/Issue II and the S.O.M. Center Widening Project capital projects funds had a negative cash fund balances of \$36,876 and \$980,202, respectively. The North Commons TIF and the Governor's Village TIF debt service funds had negative cash fund balances of \$573,423 and \$12,949, respectively.

These negative fund balances were corrected by December 31, 2005.

We recommend the Village take the appropriate measures to ensure no negative cash fund balances exist throughout the year.

MANAGEMENT'S RESPONSE

Both S.O.M. Center Road and the Upper 40 Project were reimbursement projects where grants and loans were disbursed by state agencies on a reimbursement basis. As can be seen from the dollar amounts, advancing from other funds would have created similar problems in funds from which funds were transferred from. State Highway was an oversight.

The Village will attempt to utilize transfers and/or advances to ensure negative cash fund balances to not occur in the future.

| | |
|-----------------------|-----------------|
| Finding Number | 2005-002 |
|-----------------------|-----------------|

CERTIFICATION OF AVAILABLE RESOURCES

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Ohio Rev. Code Section 5705.36(A)(3) provides that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code Section 5705.36(A)(4) provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriation.

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

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

| | |
|-----------------------|-----------------|
| Finding Number | 2005-002 |
|-----------------------|-----------------|

CERTIFICATION OF AVAILABLE RESOURCES (Continued)

Ohio Rev. Code Section 5705.39 provides, in part, that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

Contrary to Ohio Revised Code Section 5705.36, the Village did not obtain reduced amended Certificates of Estimated Resources for the following significant variances which would have reduced the available resources below the current level of appropriations as of August 31, 2005 and December 31, 2005:

| <u>Fund Description</u> | <u>Estimated Receipts per the Certificate of Estimated Resources as of August 31, 2005</u> | <u>Actual Receipts as of August 31, 2005</u> | <u>Variance</u> |
|--|--|--|-----------------|
| General Fund | \$11,988,307 | \$8,588,393 | (\$3,399,914) |
| Debt Service Funds: | | | |
| General Bond Retirement | 5,452,776 | 1,107,795 | (4,344,981) |
| North Commons TIF | 610,000 | 34,339 | (575,661) |
| Capital Projects Funds: | | | |
| Upper 40 Stormwater | 1,200,000 | 143,460 | (1,056,540) |
| S.O.M. Center Widening Road Project | 6,350,000 | 2,670,147 | (3,679,853) |
| Agency Funds: | | | |
| Anthem Conversion Liquidation | 400,000 | 0 | (400,000) |
| Contractor's Retainage | 267,000 | 38,182 | (228,818) |

VILLAGE OF MAYFIELD
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

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

| | |
|----------------|----------|
| Finding Number | 2005-002 |
|----------------|----------|

CERTIFICATION OF AVAILABLE RESOURCES (Continued)

| <u>Fund Description</u> | <u>Estimated Receipts per the Certificate of Estimated Resources as of December 31, 2005</u> | <u>Actual Receipts as of December 31, 2005</u> | <u>Variance</u> |
|--|--|--|-----------------|
| General Fund | \$14,188,307 | \$12,192,964 | (\$1,995,343) |
| Capital Projects Funds: | | | |
| Upper 40 Stormwater | 1,200,000 | 573,196 | (626,804) |
| S.O.M. Center Widening Road Project | 6,350,000 | 4,811,056 | (1,538,944) |
| Agency Funds: | | | |
| Contractor's Retainage | 1,007,000 | 54,595 | (952,405) |

In addition to the significant variances noted above, we noted several insignificant variances that required an amended certificate of estimated resources as of August 31, 2005 and December 31, 2005.

We recommend that the Village compare estimated receipts to actual receipts on a monthly basis and obtain an amended certificate of estimated resources as needed.

MANAGEMENT'S RESPONSE

Have never understood this requirement and seems to be unworkable to adjust estimates of revenues that are made for an entire year at a specific point in time within the year.

The Village will attempt to obtain amended certificates of estimated resources to eliminate this situation in the future.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**VILLAGE OF MAYFIELD
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
December 31, 2005**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2004-001 | Expenditures and Encumbrances exceeding Appropriations | No | Not completely corrected. See Management Letter. |
| 2004-002 | Negative Cash Fund Balances | No | Re-issued as Finding 2005-001 |
| 2004-003 | Certificate of Estimated Resources | No | Re-issued as Finding 2005-002 |
| 2004-004 | Public Officials Receiving Items of Value | No | Not Reissued. |



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VILLAGE OF MAYFIELD

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 19, 2006**