

# **Village of Cuyahoga Heights, Ohio**

**Financial Statements  
For the years ended  
December 31, 2008 and 2007**





# Mary Taylor, CPA

Auditor of State

Honorable Mayor and Members of Council  
Village of Cuyahoga Heights  
4863 East 71st Street  
Cuyahoga Heights, Ohio 44125

We have reviewed the *Independent Auditors' Report* of the Village of Cuyahoga Heights, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

April 16, 2010

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# Village of Cuyahoga Heights, Ohio

## For The Years Ended December 31, 2008 and 2007

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## Independent Auditors' Report

Honorable Mayor and  
Members of Council of the  
Village of Cuyahoga Heights, Ohio

We have audited the accompanying financial statements of the Village of Cuyahoga Heights, Ohio (the "Village"), as of and for the years ended December 31, 2008 and 2007, as listed in the Table of Contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's large (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or their changes in financial position for the years then ended.

Honorable Mayor and  
Members of Council of the  
Village of Cuyahoga Heights, Ohio

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Cuyahoga Heights, Ohio, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2008 and 2007. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2010 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Ciuni & Panichi, Inc.*

Cleveland, Ohio  
March 24, 2010



# Village of Cuyahoga Heights, Ohio

## Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types

**For The Year Ended December 31, 2008**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash receipts:</b>					
Local taxes	\$ 9,318,909	\$ 72,490	\$ -	\$ -	\$ 9,391,399
Intergovernmental	198,009	112,551	-	-	310,560
Charges for services	366,485	-	-	-	366,485
Fines, licenses and permits	83,620	3,440	-	-	87,060
Earnings on investments	221,496	35,290	-	63,556	320,342
Other revenue	<u>186,860</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>191,860</u>
Total cash receipts	<u>10,375,379</u>	<u>223,771</u>	<u>-</u>	<u>68,556</u>	<u>10,667,706</u>
<b>Cash disbursements:</b>					
Current:					
Security of persons and property	5,460,296	822,170	-	-	6,282,466
Public health services	21,439	-	-	-	21,439
Leisure time activities	318,167	-	-	-	318,167
Community environment	143,266	43,894	-	-	187,160
Basic utility services	119,402	66,699	-	-	186,101
Transportation	84,342	147,983	-	-	232,325
General government	4,331,919	57,823	-	-	4,389,742
Debt service:					
Principal payments	-	-	3,500,000	-	3,500,000
Interest payments	-	-	163,502	-	163,502
Capital Outlay	-	-	-	527,502	527,502
Total cash disbursements	<u>10,478,831</u>	<u>1,138,569</u>	<u>3,663,502</u>	<u>527,502</u>	<u>15,808,404</u>
Total cash receipts over(under) cash disbursements	<u>(103,452)</u>	<u>(914,798)</u>	<u>(3,663,502)</u>	<u>(458,946)</u>	<u>(5,140,698)</u>
<b>Other financing receipts(disbursements):</b>					
Sale of Notes	-	-	3,500,000	-	3,500,000
Other debt proceeds	-	-	6,440	-	6,440
Sale of fixed assets	9,418	-	-	-	9,418
Transfers – In	-	945,000	-	-	945,000
Transfers – Out	<u>(945,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(945,000)</u>
Total other financing receipts (disbursements)	<u>(935,582)</u>	<u>945,000</u>	<u>3,506,440</u>	<u>-</u>	<u>3,515,858</u>
Excess of cash receipts and other financing receipts over(under) cash disbursements and other financing disbursements	(1,039,034)	30,202	(157,062)	(458,946)	(1,624,840)
Fund cash balances, January 1	<u>4,498,297</u>	<u>1,446,891</u>	<u>160,000</u>	<u>3,577,750</u>	<u>9,682,938</u>
Fund cash balances, December 31	\$ <u>3,459,263</u>	\$ <u>1,477,093</u>	\$ <u>2,938</u>	\$ <u>3,118,804</u>	\$ <u>8,058,098</u>
Reserve for encumbrances, December 31	\$ <u>155,256</u>	\$ <u>69,491</u>	\$ <u>-</u>	\$ <u>238,573</u>	\$ <u>463,320</u>

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

# Village of Cuyahoga Heights, Ohio

## Combined Statement of Cash Receipts, Disbursements, and Changes In Fund Cash Balances – Fiduciary Fund Types

**For The Year Ended December 31, 2008**

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	Fiduciary Fund Type <u>Agency</u>
Operating Cash Revenues:	
Charges for services	\$ 56,417
Fees, fines and forfeitures	4,981
Miscellaneous	<u>2,600</u>
Total operating cash receipts	<u>63,998</u>
Operating Cash Disbursements:	
Travel transportation	30,169
Contractual services	27,574
Supplies and materials	<u>1,600</u>
Total operating cash disbursements	<u>59,343</u>
Operating income	4,655
Fund cash balances, January 1	<u>44,599</u>
Fund cash balances, December 31	\$ <u><u>49,254</u></u>
Reserve for Encumbrances, December 31	\$ <u><u>800</u></u>

The accompanying notes are an integral part of these financial statements

# Village of Cuyahoga Heights, Ohio

## Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types

**For The Year Ended December 31, 2007**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Local taxes	\$ 8,671,538	\$ 128,972	\$ -	\$ -	\$ 8,800,510
Intergovernmental	184,615	102,391	-	-	287,006
Charges for services	346,440	2,858	-	-	349,298
Fines, licenses and permits	46,117	20,138	-	-	66,255
Earnings on investments	469,382	-	39,410	38,361	547,153
Other revenue	369,433	-	-	-	369,433
Total cash receipts	<u>10,087,525</u>	<u>254,359</u>	<u>39,410</u>	<u>38,361</u>	<u>10,419,655</u>
Cash disbursements:					
Current:					
Security of persons and property	4,828,399	785,554	-	-	5,613,953
Public health services	23,144	-	-	-	23,144
Leisure time activities	259,067	-	-	-	259,067
Community environment	57,732	-	-	-	57,732
Basic utility services	119,373	56,658	-	-	176,031
Transportation	63,082	113,016	-	-	176,098
General government	4,464,312	-	-	-	4,464,312
Debt service:					
Principal payments	-	-	4,000,000	-	4,000,000
Interest payments	-	-	176,115	-	176,115
Capital outlay	-	-	-	1,680,391	1,680,391
Total cash disbursements	<u>9,815,109</u>	<u>955,228</u>	<u>4,176,115</u>	<u>1,680,391</u>	<u>16,626,843</u>
Total cash receipts over(under) cash disbursements	<u>272,416</u>	<u>(700,869)</u>	<u>(4,136,705)</u>	<u>(1,642,030)</u>	<u>(6,207,188)</u>
Other financing receipts(disbursements):					
Sale of notes	-	-	3,500,000	-	3,500,000
Other debt proceeds	-	-	26,915	-	26,915
Sale of fixed assets	20,081	-	-	-	20,081
Transfers – in	-	668,200	-	3,838,373	4,506,573
Transfers – out	(668,200)	-	(1,364,165)	(2,474,208)	(4,506,573)
Other sources (uses)	-	-	-	60,000	60,000
Total other financing receipts (disbursements)	<u>(648,119)</u>	<u>668,200</u>	<u>2,162,750</u>	<u>1,424,165</u>	<u>3,606,996</u>
Excess of cash receipts and other financing receipts over(under) cash disbursements and other financing disbursements	(375,703)	(32,669)	(1,973,955)	(217,865)	(2,600,192)
Fund cash balances, January 1	<u>4,874,000</u>	<u>1,479,560</u>	<u>2,133,955</u>	<u>3,795,615</u>	<u>12,283,130</u>
Fund cash balances, December 31	\$ <u>4,498,297</u>	\$ <u>1,446,891</u>	\$ <u>160,000</u>	\$ <u>3,577,750</u>	\$ <u>9,682,938</u>
Reserve for encumbrances, December 31	\$ <u>80,088</u>	\$ <u>85,159</u>	\$ <u>-</u>	\$ <u>30,106</u>	\$ <u>195,353</u>

The accompanying notes are an integral part of these financial statements

# Village of Cuyahoga Heights, Ohio

## Combined Statement of Cash Receipts, Disbursements, and Changes In Fund Cash Balances – Fiduciary Fund Types

**For The Year Ended December 31, 2007**

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	Fiduciary Fund Type <u>Agency</u>
Operating Cash Revenues:	
Charges for services	\$ 58,194
Fees, fines and forfeitures	21
Miscellaneous	<u>11,000</u>
Total operating cash receipts	<u>69,215</u>
Operating Cash Disbursements:	
Travel transportation	42,709
Contractual services	<u>16,125</u>
Total operating cash disbursements	<u>58,834</u>
Operating income	10,381
Fund cash balances, January 1	<u>34,218</u>
Fund cash balances, December 31	\$ <u><u>44,599</u></u>
Reserve for Encumbrances, December 31	\$ <u><u>200</u></u>

The accompanying notes are an integral part of these financial statements

# Village of Cuyahoga Heights, Ohio

## Notes To Financial Statements

**December 31, 2008 and 2007**

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### **Note 1: Summary of Significant Accounting Policies**

#### **A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Cuyahoga Heights, Cuyahoga County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides police and fire protection services, emergency medical services, street maintenance and repair, sanitation services, park and recreation operations (leisure time activities), Mayor's Court and general governmental services.

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

#### **B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters the Auditor of State prescribes.

#### **C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. The Village records gains and losses at the time of sale as receipts and disbursements, respectively.

U.S. Treasury Securities are valued at cost. The investments in STAR Ohio (the State Treasurer's investment pool) are valued at amounts reported by the State Treasurer.

#### **D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

##### **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.

# Village of Cuyahoga Heights, Ohio

## Notes To Financial Statements

**December 31, 2008 and 2007**

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### **Note 1: Summary of Significant Accounting Policies (continued)**

#### ***D. Fund Accounting (continued)***

##### ***Special Revenue Funds***

These funds account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant special revenue funds:

*Police Pension Fund* – This fund is used to account for tax revenue and transfers from the general fund used to liquidate the Village's obligation for pension contributions.

*Fire Pension Fund* – This fund is used to account for tax revenue and transfers from the general fund used to liquidate the Village's obligation for pension contributions.

##### ***Debt Service Fund***

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village has the following significant Debt Service Funds:

*Bond Retirement Fund* – This fund is used to account for resources used to repay various bond anticipation notes.

##### ***Capital Project Funds***

These funds account for receipts restricted for the acquisition or construction of major capital projects. The Village had the following significant capital project fund:

*Construction Fund* – This fund receives interest income proceeds and transfers from general fund. The proceeds are being used to fund various Village capital improvement projects.

*Police Station Fund* – This fund receives transfers from the debt service fund. The proceeds are used to fund the construction of the new police station.

##### ***Fiduciary Funds (Agency Funds)***

Fiduciary funds include private purpose trust funds and agency funds. Trust funds 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.

# Village of Cuyahoga Heights, Ohio

## Notes To Financial Statements

**December 31, 2008 and 2007**

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### **Note 1: Summary of Significant Accounting Policies (continued)**

#### ***D. Fund Accounting (continued)***

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant agency fund:

*Seniors Fund* – This fund is used to account for activities coordinated by the Village for the seniors.

#### ***E. Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

##### *1. Appropriations*

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

##### *2. Estimated Resources*

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

##### *3. Encumbrances*

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not properly encumber all commitments as required by Ohio law. A summary of 2008 and 2007 budgetary activity appears in Note 3.

#### ***F. Property, Plant, and Equipment***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

#### ***G. Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

# Village of Cuyahoga Heights, Ohio

## Notes To Financial Statements

**December 31, 2008 and 2007**

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### Note 2: Equity in Pooled Cash

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2008</u>	<u>2007</u>
Demand deposits	\$ 8,279	\$ 103,951
Petty cash	<u>4,150</u>	<u>4,150</u>
Total deposits	<u>12,429</u>	<u>108,101</u>
STAR Ohio	147,541	334,592
Victory Federal Money Market	30,575	10,199
Fifth Third Money Market	73,661	371,928
National City Money Market	30,731	177,994
Federal Home Loan Bank Bonds	3,161,503	1,683,986
Federal Home Loan Bank Cons Bonds	-	5,021,462
Federal Home Loan Mortgage Notes	-	2,019,275
Federal National Mortgage Association	2,559,679	-
Federal Farm Credit Banks	<u>2,091,233</u>	<u>-</u>
Total investments	<u>8,094,923</u>	<u>9,619,436</u>
Total deposits and investments	\$ <u>8,107,352</u>	\$ <u>9,727,537</u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

### Investments:

The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.



# Village of Cuyahoga Heights, Ohio

## Notes To Financial Statements

### December 31, 2008 and 2007

#### Note 3: Budgetary Activity

Budgetary activity for the year ending December 31, 2008 and 2007 follows:

<u>Fund Type</u>	<u>2008 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 9,855,890	\$ 10,384,797	\$ 528,907
Special Revenue	902,108	1,168,771	266,663
Debt Service	-	3,506,440	3,506,440
Capital Projects	40,000	68,556	28,556
Fiduciary	<u>58,000</u>	<u>63,998</u>	<u>5,998</u>
Total	\$ <u>10,855,998</u>	\$ <u>15,192,562</u>	\$ <u>4,336,564</u>

<u>Fund Type</u>	<u>2008 Budgeted vs. Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 11,768,075	\$ 11,579,087	\$ 188,988
Special Revenue	1,314,061	1,208,060	106,001
Debt Service	3,606,000	3,663,502	(57,502)
Capital Projects	630,106	766,075	(135,969)
Fiduciary	<u>67,500</u>	<u>60,143</u>	<u>7,357</u>
Total	\$ <u>17,385,742</u>	\$ <u>17,276,867</u>	\$ <u>108,875</u>

<u>Fund Type</u>	<u>2007 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 8,720,164	\$ 10,107,606	\$ 1,387,442
Special Revenue	611,378	922,559	311,181
Debt Service	-	3,566,325	3,566,325
Capital Projects	50,000	3,936,734	3,886,734
Fiduciary	<u>43,000</u>	<u>69,215</u>	<u>26,215</u>
Total	\$ <u>9,424,542</u>	\$ <u>18,602,439</u>	\$ <u>9,177,897</u>

# Village of Cuyahoga Heights, Ohio

## Notes To Financial Statements

**December 31, 2008 and 2007**

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### Note 3: Budgetary Activity (continued)

<u>Fund Type</u>	<u>2007 Budgeted vs. Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 11,554,500	\$ 10,563,397	\$ 991,103
Special Revenue	1,101,496	1,040,387	61,109
Debt Service	6,205,615	5,540,280	665,335
Capital Projects	4,455,893	4,184,705	271,188
Fiduciary	<u>73,500</u>	<u>59,034</u>	<u>14,466</u>
Total	\$ <u>23,391,004</u>	\$ <u>21,387,803</u>	\$ <u>2,003,201</u>

The Village budgets for all Fiduciary funds, which include Recreation Youth Board, Rental Reimbursement, Senior Citizens, Street Openings, and Police and Fire Pension.

### Note 4: Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

### Note 5: Local Income Tax

The Village levies a municipal income tax of 2 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.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Authority (RITA) either monthly or quarterly, as required. RITA collects all Village income taxes and forwards these collections to the Village monthly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

# Village of Cuyahoga Heights, Ohio

## Notes To Financial Statements

### December 31, 2008 and 2007

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#### **Note 6: Notes Payable**

Debt outstanding at December 31, 2008 and 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bond Anticipation Notes	\$ 3,500,000	3.50%

General obligation bond anticipation notes were issued in anticipation of the issuance of bonds to pay the costs of constructing, furnishing and equipping a police facility, and otherwise improving police facilities and their sites, and costs of issuance.

#### **Note 7: Retirement Systems**

The Village's law enforcement officers and fire fighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10 percent of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time fire fighters' wages, respectively. For 2008 and 2007, OPERS members contributed 10 and 9.5 percent, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 13.85 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

#### **Note 8: Risk Management**

The Village has obtained commercial insurance for the following risks:

- Property/Inland Marine
- Auto/General Liability
- Public Officials Errors and Omissions
- Law Enforcement Liability
- Fire Department/Ambulance Liability

The Village is self-insured for employee's health, dental and vision insurance. Payment of these claims is made from the General Fund as directed by the Village's third party administrator

# Village of Cuyahoga Heights, Ohio

## Notes To Financial Statements

**December 31, 2008 and 2007**

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### Note 9: Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting NOPEC at 1615 Clarke Avenue, Cleveland, Ohio 44109.

### Note 10: Noncompliance

Ohio Revised Code 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 2008, the City had expenditures plus encumbrances in excess of appropriations as follows:

	<u>Final</u> <u>Appropriations</u>	<u>Actual</u> <u>Expenditures</u>	<u>Excess</u>
Special revenue funds:			
Streets	\$ 160,159	\$ 212,554	\$ (52,395)
Debt service:			
Note retirement	3,606,000	3,663,502	(57,502)
Capital projects:			
General capital	630,106	766,075	(135,969)

Ohio Revised Code 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. At December 31, 2008, the following funds had appropriations in excess of final estimated resources plus carryover balances in violation of Section 5705.39, Ohio Revised Code:

	<u>Final</u> <u>Certificate</u>	<u>Final</u> <u>Appropriations</u>	<u>Excess</u>
Special revenue funds:			
Community grant	\$ -	\$ 250,000	\$ (250,000)
Debt service:			
Note retirement	160,000	3,606,000	(3,446,000)

# Village of Cuyahoga Heights, Ohio

## Notes To Financial Statements

### December 31, 2008 and 2007

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#### **Note 10: Noncompliance (continued)**

Ohio Revised Code 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. At December 31, 2007, the following funds had appropriations in excess of final estimated resources plus carryover balances in violation of Section 5705.39, Ohio Revised Code:

	<u>Final Certificate</u>	<u>Final Appropriations</u>	<u>Excess</u>
Special revenue funds:			
Fire pension	\$ 329,660	\$ 530,000	\$ (200,340)
Debt service:			
Note retirement	2,133,955	6,205,615	(4,071,660)
Capital projects:			
Police station	2,675,865	3,776,208	(1,100,343)

#### **Note 11: Subsequent Events**

Effective September 1, 2009, the Village was no longer self-insured for employee's health, dental and vision insurance. The Village is now a member of a fully-insured, premium-based plan with Medical Mutual of Ohio.

On September 18, 2009, the Village issued Various Purpose General Obligation Bond Anticipation Notes, Series, 2009, in the amount of \$3,000,000. The Notes carry an interest rate of 2.15 percent and mature on September 18, 2010. The general obligation bond anticipation notes were issued in anticipation of the issuance of bonds to pay the costs of constructing, furnishing and equipping a police facility, and otherwise improving police facilities and their sites, and costs of issuance.

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and  
Members of Council of the  
Village of Cuyahoga Heights, Ohio

We have audited the financial statements of the Village of Cuyahoga Heights, Ohio (the “Village”) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated March 24, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes, or permits, rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audits, we considered the Village’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Village’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village’s financial statements that is more than inconsequential will not be prevented or detected by the Village’s internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 08-4 and 07-3.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village’s internal control.

Honorable Mayor and  
Members of Council of the  
Village of Cuyahoga Heights, Ohio

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. Of the significant deficiencies described above, we consider items 2008-4 and 2007-3 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 08-01 through 08-03 and 07-01 through 07-02.

We noted certain matters that we reported to management of the Village, in a separate letter dated March 24, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Village Council, Village Management, and the Auditor of State's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Cini & Panichi, Inc.*

Cleveland, Ohio  
March 24, 2010

# Village of Cuyahoga Heights, Ohio

## Schedule of Findings

**December 31, 2008 and 2007**

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### Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

08-01	<p><b>Material Noncompliance</b></p> <p>Per ORC Section 117.38, cash basis entities must file annual reports with the Auditor of the State within 60 days of the fiscal year end. Also, the public office must publish notice in a local newspaper stating that the financial report is available for public inspection at the office of the chief fiscal officer.</p> <p>The Village did not file an annual report for fiscal year 2008. Also, there was no notice in the local newspaper stating the fiscal year 2008 report was available for public inspection.</p>
08-02	<p><b>Material Noncompliance</b></p> <p>Per ORC Section 5705.39, total appropriations from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.</p> <p>The Village had appropriations in excess of total estimated resources as of December 31, 2008 for the Community Grant Special Revenue fund and the Note Retirement Debt Service fund of \$250,000 and \$3,446,000, respectively.</p>
08-03	<p><b>Material Noncompliance</b></p> <p>Per ORC Section 5705.41(B), no subdivision or taxing unit is to expend money unless it has been appropriated.</p> <p>The Village had expenditures plus encumbrances in excess of appropriations as of December 31, 2008 for the Streets Special Revenue fund, the Note Retirement Debt Service fund, and the General Capital Projects fund of \$52,395, \$57,502 and \$135,969, respectively.</p>



# Village of Cuyahoga Heights, Ohio

## Schedule of Findings (continued)

**December 31, 2008 and 2007**

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08-04	<p data-bbox="267 441 1071 472"><b>Financial Reporting – Significant Deficiency/Material Weakness</b></p> <p data-bbox="267 504 1412 777">During our 2008 testing of internal controls over the receipts and disbursements process, it was noted that the Village was not performing monthly bank reconciliations. Also, during the financial audit of the cash statements provided by the Village, we discovered material misstatements due to the failure of the Village to record all receipts and expenditures during the year. Paragraph 18 of the <i>Statement of Auditing Standards</i> 112 documents that the identification of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity’s internal control is a strong indicator of a material weakness even if management subsequently corrects the misstatement.</p> <p data-bbox="267 808 1412 871">These misstatements were the result of the failure to perform the monthly bank reconciliation as there were items that would have been reconciling items on a monthly basis.</p> <p data-bbox="267 903 1412 1008">Sound financial reporting is the responsibility of the Village Clerk and the Village council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.</p> <p data-bbox="267 1039 1412 1102">The following weaknesses were noted and subsequent adjustments made to the financial statements and, where applicable, to the Village’s accounting records:</p> <ol data-bbox="308 1134 1412 1375" style="list-style-type: none"><li data-bbox="308 1134 1412 1176">1. The Village did not perform monthly bank reconciliations during 2008.</li><li data-bbox="308 1197 1412 1270">2. The Village adjusted miscellaneous revenue by \$21,002 for amounts that were not recorded by the Village during 2008.</li><li data-bbox="308 1291 1412 1375">3. The Village adjusted the leisure time activities and the general government expenditures by \$7,162 for amounts that incorrectly recorded by the Village during 2008.</li></ol> <p data-bbox="267 1396 1412 1501">The lack of controls over the posting of financial transactions, reconciliation process, and financial reporting can result in errors and irregularities that may go undetected and decrease the reliability of the financial data throughout the year.</p> <p data-bbox="267 1533 1412 1701">We recommend the Village adopt a policy that requires monthly bank reconciliations be performed to ensure that all cash receipts and disbursements are being recorded in the proper month. We also recommend that these bank reconciliations be a part of the monthly financial statements that are reviewed by the finance committee to ensure that they are completed in a timely fashion.</p>
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# Village of Cuyahoga Heights, Ohio

## Schedule of Findings (continued)

**December 31, 2008 and 2007**

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07-01	<p><b>Material Noncompliance</b></p> <p>Per ORC Section 117.38, cash basis entities must file annual reports with the Auditor of the State within 60 days of the fiscal year end. Also, the public office must publish notice in a local newspaper stating that the financial report is available for public inspection at the office of the chief fiscal officer.</p> <p>The Village did not file an annual report for fiscal year 2007. Also, there was no notice in the local newspaper stating the fiscal year 2007 report was available for public inspection.</p>
07-02	<p><b>Material Noncompliance</b></p> <p>Per ORC Section 5705.39, total appropriations from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.</p> <p>The Village had appropriations in excess of total estimated resources as of December 31, 2007 for the Fire Pension Special Revenue fund, the Note Retirement Debt Service fund, and the Police Station Capital Projects fund of \$200,340, \$4,071,660, and \$1,100,343, respectively.</p>

# Village of Cuyahoga Heights, Ohio

## Schedule of Findings (continued)

**December 31, 2008 and 2007**

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07-03	<p data-bbox="259 420 1063 451"><b>Financial Reporting – Significant Deficiency/Material Weakness</b></p> <p data-bbox="259 483 1404 745">During our 2007 testing of internal controls over the receipts and disbursements process, it was noted that the Village was not performing monthly bank reconciliations. Also, during the financial audit of the cash statements provided by the Village, we discovered material misstatements due to the failure of the Village to record all receipts and expenditures during the year. Paragraph 18 of the <i>Statement of Auditing Standards</i> 112 documents that the identification of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity’s internal control is a strong indicator of a material weakness even if management subsequently corrects the misstatement.</p> <p data-bbox="259 787 1404 850">These misstatements were the result of the failure to perform the monthly bank reconciliation as there were items that would have been reconciling items on a monthly basis.</p> <p data-bbox="259 892 1404 976">Sound financial reporting is the responsibility of the Village Clerk and the Village council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.</p> <p data-bbox="259 1018 1404 1081">The following weaknesses were noted and subsequent adjustments made to the financial statements and, where applicable, to the Village’s accounting records:</p> <ol data-bbox="308 1113 1404 1375" style="list-style-type: none"><li>1. The Village did not perform monthly bank reconciliations during 2007.</li><li>2. The Village adjusted taxes, miscellaneous revenue, and sale of fixed assets by \$21,632 for amounts that were not recorded by the Village during 2007.</li><li>3. The Village adjusted the securities of persons and property and the general government expenditures by \$244,819 for amounts that incorrectly recorded by the Village during 2007.</li></ol> <p data-bbox="259 1417 1404 1501">The lack of controls over the posting of financial transactions, reconciliation process, and financial reporting can result in errors and irregularities that may go undetected and decrease the reliability of the financial data throughout the year.</p> <p data-bbox="259 1543 1404 1701">We recommend the Village adopt a policy that requires monthly bank reconciliations be performed to ensure that all cash receipts and disbursements are being recorded in the proper month. We also recommend that these bank reconciliations be a part of the monthly financial statements that are reviewed by the finance committee to ensure that they are completed in a timely fashion.</p>
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# Village of Cuyahoga Heights, Ohio

## Schedule of Prior Year Findings

**December 31, 2008 and 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
06-01	<p>Per ORC Section 5705.39, the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.</p> <p>The Village had original appropriations in excess of total estimated resources as of December 31, 2006 for the Note Retirement Debt Service fund and the Police Station Capital Projects fund of \$4,165,000 and \$377,570, respectively.</p>	No	Not corrected, repeated as finding 08-02 and 07-02
06-02	<p>Per ORC Section 5705.39, the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.</p> <p>The Village also had final appropriations in excess of total estimated resources as of December 31, 2006 for the Note Retirement Debt Service fund and the Police Station Capital Projects fund of \$6,475,500 and \$2,344,570, respectively.</p>	No	Not corrected, repeated as finding 08-02 and 07-02

# Village of Cuyahoga Heights, Ohio

## Schedule of Prior Year Findings (continued)

**December 31, 2008 and 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
06-03	<p>Per ORC Section 117.38, cash basis entities must file annual reports with the Auditor of the State within 60 days of the fiscal year end. Also, the public office must publish notice in a local newspaper stating that the financial report is available for public inspection at the office of the chief fiscal officer.</p> <p>The Village did not file an annual report for fiscal year 2006. Also, there was no notice in the local newspaper stating the fiscal year 2006 report was available for public inspection.</p>	No	Not corrected, repeated as finding 08-01 and 07-01
05-01	<p>Per ORC Section 5705.39, the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.</p> <p>The Village had original appropriations in excess of original total estimated resources as of December 31, 2005 for the Police Station Capital Projects fund of \$3,682,707.</p>	No	Not corrected, repeated as finding 08-02 and 07-02
05-02	<p>Per ORC Section 5705.39, the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.</p> <p>The Village had final appropriations in excess of final total estimated resources as of December 31, 2005 for the DARE Special Revenue fund and the Note Retirement Debt Service fund of \$100 and \$390, respectively.</p>	No	Not corrected, repeated as finding 08-02 and 07-02

# Village of Cuyahoga Heights, Ohio

## Schedule of Prior Year Findings (continued)

**December 31, 2008 and 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
05-03	<p>Per ORC Section 5705.41(B), no subdivision or taxing unit is to expend money unless it has been appropriated.</p> <p>The Village had appropriations in excess of expenditures plus encumbrances as of December 31, 2005 for the supplies and materials object of the transportation function and capital outlay object of the general government function within the general fund of \$37,308 and \$483,769, respectively.</p>	No	Not corrected, repeated as finding 08-03
05-04	<p>Per ORC Section 117.38, cash basis entities must file annual reports with the Auditor of the State within 60 days of the fiscal year end. Also, the public office must publish notice in a local newspaper stating that the financial report is available for public inspection at the office of the chief fiscal officer.</p> <p>The Village did not file an annual report for fiscal year 2005. Also, there was no notice in the local newspaper stating the fiscal year 2005 report was available for public inspection.</p>	No	Not corrected, repeated as finding 08-01 and 07-01

**Village of Cuyahoga Heights, Ohio**  
**4863 East 71<sup>st</sup> Street**  
**Cuyahoga Heights, Ohio 44125**

Response to Findings Associated With  
 Audit Conducted In Accordance With  
*Government Auditing Standards*  
 For The Year Ended December 31, 2008 and 2007

Finding Number	Planned Correction Action	Anticipated Completion Date	Responsible Contact Person
08-01	The Village will either attempt to file the annual report within the 60 days as prescribed by the Auditor of State.	N/A	Bob Unger, Village Clerk
08-02	The Village will monitor appropriations to ensure that they do not exceed estimated resources.	N/A	Bob Unger, Village Clerk
08-03	The Village will monitor appropriations to ensure that they do not exceed expenditures plus encumbrances.	N/A	Bob Unger, Village Clerk
08-04	The Village will attempt to complete monthly bank reconciliations in a timely fashion and provide them to the finance committee for review.	N/A	Bob Unger, Village Clerk
07-01	The Village will attempt to file the annual report within the 60 days as prescribed by the Auditor of State.	N/A	Bob Unger, Village Clerk
07-02	The Village will monitor appropriations to ensure that they do not exceed estimated resources.	N/A	Bob Unger, Village Clerk
07-03	The Village will attempt to complete monthly bank reconciliations in a timely fashion and provide them to the finance committee for review.	N/A	Bob Unger, Village Clerk







**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF CUYAHOGA HEIGHTS**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 11, 2010**