

***VILLAGE OF CUYAHOGA HEIGHTS***

**CUYAHOGA COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2011 and 2010**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

Village Council  
Village of Cuyahoga Heights  
4863 East 71st Street  
Cuyahoga Heights, Ohio 44125

We have reviewed the Report of *Independent Accountants* of the Village of Cuyahoga Heights, Cuyahoga County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. 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 Accountants' 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 Accountants' 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 22, 2012

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VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
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***Charles E. Harris & Associates, Inc.***  
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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Cuyahoga Heights, Cuyahoga County, Ohio as of and for the years ended December 31, 2011 and 2010. 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 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 opinion.

As described more fully in Note 1, the Village of Cuyahoga Heights, Cuyahoga County 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.

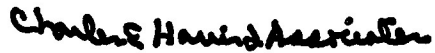
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments 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, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Cuyahoga Heights, Cuyahoga County as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Cuyahoga Heights, Cuyahoga County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Cuyahoga Heights, Cuyahoga County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25 2012, 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.

A handwritten signature in black ink that reads "Charles E. Harris". The signature is written in a cursive, slightly slanted style.

**Charles E. Harris & Associates, Inc.**  
July 25, 2012



**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 593,300	\$ 57,346	\$ -	\$ -	\$ 650,646
Municipal Income Tax	7,507,543	-	-	7,900	7,515,443
Intergovernmental	457,877	90,416	-	549,992	1,098,285
Charges for Services	359,291	-	-	-	359,291
Fines, Licenses and Permits	176,168	5,050	-	-	181,218
Earnings on Investments	3,747	1,501	-	1,113	6,361
Miscellaneous	79,723	-	-	-	79,723
<i>Total Cash Receipts</i>	<u>9,177,649</u>	<u>154,313</u>	<u>-</u>	<u>559,005</u>	<u>9,890,967</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	4,147,140	559,174	-	-	4,706,314
Public Health Services	18,357	-	-	-	18,357
Leisure Time Activities	130,107	-	-	-	130,107
Community Environment	64,300	-	-	-	64,300
Basic Utility Services	20,092	54,059	-	-	74,151
Transportation	49,718	14,550	-	-	64,268
General Government	3,440,770	-	-	-	3,440,770
Capital Outlay	232,435	24,217	-	962,039	1,218,691
Debt Service:					
Principal Retirement	-	-	2,500,000	-	2,500,000
Interest and Fiscal Charges	-	-	67,359	-	67,359
<i>Total Cash Disbursements</i>	<u>8,102,919</u>	<u>652,000</u>	<u>2,567,359</u>	<u>962,039</u>	<u>12,284,317</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,074,730</u>	<u>(497,687)</u>	<u>(2,567,359)</u>	<u>(403,034)</u>	<u>(2,393,350)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Notes	-	-	2,000,000	-	2,000,000
Premium and Accrued Interest on Debt	-	-	17,740	-	17,740
Sale of Capital Assets	3,158	-	-	-	3,158
Transfers In	-	452,500	500,000	25,000	977,500
Transfers Out	(977,500)	-	-	-	(977,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(974,342)</u>	<u>452,500</u>	<u>2,517,740</u>	<u>25,000</u>	<u>2,020,898</u>
<i>Net Change in Fund Cash Balances</i>	100,388	(45,187)	(49,619)	(378,034)	(372,452)
<i>Fund Cash Balances, January 1</i>	<u>2,158,769</u>	<u>1,330,465</u>	<u>90,833</u>	<u>795,081</u>	<u>4,375,148</u>
<b>Fund Cash Balances</b>					
Restricted	-	1,018,586	41,214	17,293	1,077,093
Committed	-	266,692	-	399,754	666,446
Assigned	43,310	-	-	-	43,310
Unassigned (Deficit)	2,215,847	-	-	-	2,215,847
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,259,157</u>	<u>\$ 1,285,278</u>	<u>\$ 41,214</u>	<u>\$ 417,047</u>	<u>\$ 4,002,696</u>

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

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Fiduciary Fund Type - Agency</b>
<b>Operating Cash Receipts</b>	
Fines, Licenses and Permits	\$ 76,160
Miscellaneous	535
	76,695
<i>Total Operating Cash Receipts</i>	76,695
<b>Operating Cash Disbursements</b>	
Contractual Services	90,474
Other	49
	90,523
<i>Total Operating Cash Disbursements</i>	90,523
<i>Operating Income (Loss)</i>	(13,828)
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	84,831
Miscellaneous Receipts	14,000
Other Financing Uses	(84,831)
	14,000
<i>Total Non-Operating Receipts (Disbursements)</i>	14,000
<i>Income (Loss)</i>	172
<i>Fund Cash Balances, January 1</i>	56,891
<i>Fund Cash Balances, December 31</i>	\$ 57,063

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

VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 790,270	\$ 59,638	\$ -	\$ -	\$ 849,908
Municipal Income Tax	6,990,675	-	-	-	6,990,675
Intergovernmental	159,273	90,648	-	-	249,921
Charges for Services	331,572	-	-	-	331,572
Fines, Licenses and Permits	140,699	3,470	-	-	144,169
Earnings on Investments	13,298	2,174	-	4,221	19,693
Miscellaneous	101,261	-	-	-	101,261
<i>Total Cash Receipts</i>	<u>8,527,048</u>	<u>155,930</u>	<u>-</u>	<u>4,221</u>	<u>8,687,199</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	3,986,503	448,948	-	-	4,435,451
Public Health Services	21,406	-	-	-	21,406
Leisure Time Activities	111,105	-	-	-	111,105
Community Environment	5,867	-	-	-	5,867
Basic Utility Services	40,385	74,740	-	-	115,125
Transportation	59,925	27,040	-	-	86,965
General Government	3,330,597	-	-	-	3,330,597
Capital Outlay	-	45,732	-	963,470	1,009,202
Debt Service:					
Principal Retirement	-	-	2,500,000	500,000	3,000,000
Interest and Fiscal Charges	-	-	71,263	-	71,263
<i>Total Cash Disbursements</i>	<u>7,555,788</u>	<u>596,460</u>	<u>2,571,263</u>	<u>1,463,470</u>	<u>12,186,981</u>
Total Receipts Over/(Under) Disbursements	<u>971,260</u>	<u>(440,530)</u>	<u>(2,571,263)</u>	<u>(1,459,249)</u>	<u>(3,499,782)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Notes	-	-	2,500,000	-	2,500,000
Premium and Accrued Interest on Debt	-	-	9,700	-	9,700
Sale of Capital Assets	2,889	-	-	-	2,889
Transfers In	-	436,000	110,000	25,000	571,000
Transfers Out	(571,000)	-	-	-	(571,000)
Insurance Recoveries	19,663	-	-	-	19,663
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(548,448)</u>	<u>436,000</u>	<u>2,619,700</u>	<u>25,000</u>	<u>2,532,252</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	422,812	(4,530)	48,437	(1,434,249)	(967,530)
Fund Cash Balances, January 1	1,735,957	1,334,995	42,396	2,229,330	5,342,678
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 2,158,769</u></b>	<b><u>\$ 1,330,465</u></b>	<b><u>\$ 90,833</u></b>	<b><u>\$ 795,081</u></b>	<b><u>\$ 4,375,148</u></b>
Reserve for Encumbrances, December 31	<u>\$ 101,245</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 20,555</u>	<u>\$ 126,800</u>

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

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Fiduciary Fund Type - Agency</b>
<b>Operating Cash Receipts</b>	
Fines, Licenses and Permits	\$ 62,696
Miscellaneous	400
<i>Total Operating Cash Receipts</i>	63,096
<b>Operating Cash Disbursements</b>	
Contractual Services	77,287
Other	24
<i>Total Operating Cash Disbursements</i>	77,311
<i>Operating Income (Loss)</i>	(14,215)
Miscellaneous Receipts	14,405
<i>Net Income</i>	190
<i>Fund Cash Balances, January 1</i>	56,701
<i>Fund Cash Balances, December 31</i>	\$ 56,891

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

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 and 2010**

**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, as the Auditor of State prescribes or permits.

**C. Deposits 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.

The Village values U.S. Treasury Notes at cost. The investment 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:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds.

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 and 2010**

**1. Summary of Significant Accounting Policies (Continued)**

**2. Special Revenue Fund (Continued)**

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.

**3. Debt Service Fund**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

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

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except for those financed through enterprise or trust funds.). 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.

**5. Fiduciary 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.

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:

Mayor’s Court Fund – This fund is used to account for activities for the Village’s Mayor’s Court.

**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.

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 and 2010**

**1. Summary of Significant Accounting Policies (Continued)**

**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.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011 fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 and 2010**

**1. Summary of Significant Accounting Policies (Continued)**

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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.

**H. 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.

**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:

	2011	2010
Demand deposits	\$ 525,459	\$ 218,257
Petty cash	4,150	4,150
Total deposits	529,609	222,407
STAR Ohio	588,495	1,273,632
Fifth Third Money Market	349,728	94,112
PNC Bank Money Market	66,368	66,240
Key Bank Money Market	525,714	525,648
Certificates of Deposit	1,999,845	2,250,000
Total investments	3,530,150	4,209,632
Total deposits and investments	\$ 4,059,759	\$ 4,432,039

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

**Investments:** Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.



**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 and 2010**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

Fund Type	2011 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 8,771,811	\$ 9,180,807	\$ 408,996
Special Revenue	830,388	606,813	(223,575)
Debt Service	3,200,000	2,517,740	(682,260)
Capital Projects	50,000	584,005	534,005
Total	<u>\$ 12,852,199</u>	<u>\$ 12,889,365</u>	<u>\$ 37,166</u>

Fund Type	2011 Budgeted vs. Actual Budgetary Basis Disbursements		
	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 8,967,302	\$ 9,123,729	\$ (156,427)
Special Revenue	1,784,095	652,000	1,132,095
Debt Service	2,590,000	2,567,359	22,641
Capital Projects	798,335	976,511	(178,176)
Total	<u>\$ 14,139,732</u>	<u>\$ 13,319,599</u>	<u>\$ 820,133</u>

Fund Type	2010 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 8,776,396	\$ 8,549,600	\$ (226,796)
Special Revenue	831,206	591,930	(239,276)
Debt Service	3,660,000	2,619,700	(1,040,300)
Capital Projects	50,000	29,221	(20,779)
Total	<u>\$ 13,317,602</u>	<u>\$ 11,790,451</u>	<u>\$ (1,527,151)</u>

**VILLAGE OF CUYAHOGA HEIGHTS  
 CUYAHOGA COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011 and 2010**

**3. Budgetary Activity (Continued)**

Fund Type	2010 Budgeted vs. Actual Budgetary Basis Disbursements		
	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 8,542,407	\$ 8,228,033	\$ 314,374
Special Revenue	2,122,390	601,460	1,520,930
Debt Service	3,700,000	2,571,263	1,128,737
Capital Projects	2,235,024	1,484,025	750,999
Total	<u>\$ 16,599,821</u>	<u>\$ 12,884,781</u>	<u>\$ 3,715,040</u>

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such 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 behalf of the Village.

**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  
 CUYAHOGA COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011 and 2010**

**6. Debt**

Debt outstanding at December 31, 2011, was as follows:

	Principal	Interest Rate
General Obligation Bond Anticipation Notes	\$ 2,000,000	5%

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.

**7. Retirement Systems**

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). 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 2010 and 2011, OP&F participants contributed 10 percent of their wages. For 2011 and 2010, 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 firefighters' wages, respectively. For 2010 and 2011, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**8. Risk Management**

The Village belongs to Ohio Government Risk Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio "governments ("Members"). The plan was legally separate from its member government.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**VILLAGE OF CUYAHOGA HEIGHTS  
 CUYAHOGA COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011 and 2010**

**8. Risk Management (Continued)**

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPMR	OPHC	OPMR	OPHC
Assets	\$ 12,036,541	\$ 1,355,131	\$ 11,176,186	\$ 1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Member’s Equity	\$ 7,191,485	\$ 300,035	\$ 6,323,701	\$ 105,185

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

The Village is member of a fully-insured, premium-based plan with Medical Mutual of Ohio for employee’s health, dental, and vision insurance.

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY  
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DECEMBER 31, 2011 and 2010**

**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 31320 Solon Road, Suite 20, Solon, Ohio 44139.

**10. Transfers**

Transfers were made for the allocation of income taxes and were in compliance with the Ohio Revised Code.

**11. 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, 2011, the Village had expenditures plus encumbrances in excess of appropriations in various funds.

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

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

To the Village Council:

We have audited the financial statements of the Village of Cuyahoga Heights, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 25 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Also, for 2011, we noted the Village implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-VCH-02 described in the accompanying schedule of findings to be a material weakness.

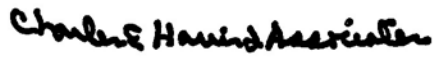
### Compliance and Other Matters

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2011-VCH-01.

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 them.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 25, 2012.

We intend this report solely for the information and use of management, the finance committee, Village Council, and others within the Village. We intend it for no one other than these specified parties.



**Charles E. Harris and Associates, Inc.**

July 25, 2012

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
December 31, 2011 and 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2011-VCH-01 – Non-compliance Citation**

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated as provided in such chapter.

During 2011, the following funds' expenditures plus encumbrances exceeded total appropriations for the following funds:

General Fund (\$156,427)  
Capital Projects Fund (\$178,176)  
Fire Pension Fund (\$8,555)

We recommend that the Village better monitor their budgetary process and make appropriations on a regular basis to avoid having expenditures exceed appropriations.

Management Response: The Village will better monitor the expenses to adjust to appropriations as needed.

**Finding Number 2011-VCH-02 – Material Weakness**

During 2011 and 2010, the Village Fiscal Officer did not accurately post all budgeted receipts and appropriations to the accounting system. Variances existed between the amounts on the certificates of estimated resources and appropriation ordinances and the amounts posted to the accounting system as follows:

Fund - 2011	Budgeted Receipts Per SSI System	Budgeted Receipts Per Final Certificate of Estimated Resources	Variance
General Fund	\$ 8,867,540	\$ 8,771,811	\$ 95,729
SCM&R Fund	79,800	75,000	4,800
State Highway Fund	6,800	10,000	(3,200)
Motor Vehicle Tax	20	2,000	(1,980)
Motor Vehicle License	3,450	5,000	(1,550)
Sewer User Fund	65,600	70,000	(4,400)
Dare Program	2,500	-	2,500
Diversion Program	-	5,000	(5,000)
Mandatory Drug Fine	-	1,000	(1,000)
U. Govt Seize Contraband	-	1,000	(1,000)
Enforcement & Education	-	1,000	(1,000)
Mayor's Court Computer	3,290	5,000	(1,710)
General Note Retirement	2,510,000	3,200,000	(690,000)
Capital Projects	29,000	50,000	(21,000)
Police Pension	202,694	277,694	(75,000)



**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
December 31, 2011 and 2010**

**Finding Number 2011-VCH-02 – Material Weakness (Continued)**

Fund - 2010	Budgeted Receipts Per SSI System	Budgeted Receipts Per Final Certificate of Estimated Resources	Variance
General Fund	\$ 7,797,021	\$ 8,776,396	\$ (979,375)
SCM&R Fund	97,820	75,000	22,820
State Highway Fund	12,675	10,000	2,675
Motor Vehicle Tax	200	2,000	(1,800)
Motor Vehicle License	3,000	5,000	(2,000)
Dare Program	3,000	-	3,000
Contraband Seizure	1,000	-	1,000
Enforcement & Education	500	1,000	(500)
General Note Retirement	3,126,500	3,660,000	(533,500)
Capital Projects	57,250	50,000	7,250
Police Pension	203,100	278,103	(75,003)
Fire Pension	428,100	378,103	49,997

Fund - 2010	Budgeted Appropriations Per SSI System	Budgeted Appropriations Passed By Council	Variance
General Fund	\$ 8,505,462	\$ 8,542,407	\$ (36,945)
SCM&R Fund	300,000	440,000	(140,000)
State Highway Fund	10,000	175,000	(165,000)
Motor Vehicle Tax	3,000	13,000	(10,000)
Motor Vehicle License	-	90,000	(90,000)
Sewer User Fund	80,000	370,000	(290,000)
Police CPT Fund	-	2,600	(2,600)
Mandatory Drug Fines	1,000	4,800	(3,800)
U.S. Government Seize Cash	1,000	3,000	(2,000)
Contraband Seizure	1,000	5,600	(4,600)
Enforcement & Education	1,000	4,000	(3,000)
Mayor's Court Computer	10,015	17,490	(7,475)
Community Grant	65,000	145,000	(80,000)
General Note Retirement	3,142,520	3,700,000	(557,480)
Capital Projects	739,885	2,235,024	(1,495,139)
Police Pension	224,230	300,000	(75,770)
Fire Pension	525,000	545,000	(20,000)
Memorial Fund	3,000	5,000	(2,000)

We recommend that the Village accurately post all budgeted receipts and appropriations to the accounting system. This will allow management to compare accurate budget to actual information.

Management Response: The Village will continue to improve the process within the SSI system, and more accurately reflect the appropriations.

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2011 and 2010**

<b>FINDING NUMBER</b>	<b>FUNDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2009-01	Revised Code Section 5705.41 (B) – Expenditures exceeded appropriations.	No	Not Corrected Reissued 2011-VCH-01
2009-02	Improper recording of sick time.	Yes	No longer valid
2009-03	Bank reconciliations were not performed	Yes	No longer valid



# Dave Yost • 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  
SEPTEMBER 4, 2012