



Dave Yost • Auditor of State

**CUYAHOGA HEIGHTS COMMUNITY IMPROVEMENT CORPORATION
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Cuyahoga Heights Community Improvement Corporation
Cuyahoga County
4863 East 71st Street
Cuyahoga Heights, Ohio 44125

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Cuyahoga Heights Community Improvement Corporation, Cuyahoga County, Ohio (the Corporation), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cuyahoga Heights Community Improvement Corporation, Cuyahoga County as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2013, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporations' internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

August 6, 2013

Cuyahoga Heights Community Improvement Corporation

Management's Discussion and Analysis

For the Years Ended December 31, 2012 and 2011 (Unaudited)

This discussion and analysis, along with the accompanying financial report, of the Cuyahoga Heights Community Improvement Corporation (the "Corporation") is designed to provide our creditors and other interested parties with a general overview of the Corporation and its financial activities.

FINANCIAL HIGHLIGHTS

The Corporation's net position were \$206,676 and \$279,133 on December 31, 2012 and 2011, respectively.

The Corporation's revenues have decreased \$5,730, or 99.6 percent, from 2011 to 2012 and increased \$3,635, or 171 percent, from 2010 to 2011. The Corporation's expenses increased \$44,990, or 164 percent, from 2011 to 2012 and decreased \$199,873, or 88 percent, from 2010 to 2011.

The Corporation signed a promissory note for the purchase of property in 2012. For additional information see Note 6.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Corporation is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

The **Statements of Net Position** includes all of the Corporation's assets and liabilities. This statement provides information about the nature and amounts of investments in resources (assets) owned by the Corporation and obligations owed by the Corporation (liabilities). The Corporation's net position (equity) is the difference between assets and liabilities.

The **Statements of Revenues, Expenses and Changes in Net Position** provides information on the Corporation's operations over the past year. Revenues are reported when earned and expenses are reported when incurred.

The **Statements of Cash Flows** provide information about the Corporation's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating and investing activities.

Cuyahoga Heights Community Improvement Corporation

Management's Discussion and Analysis

For the Years Ended December 31, 2012 and 2011 (Unaudited)

NET POSITION

Table 1 summarizes the Net Position of the Corporation.

TABLE 1

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets:			
Current assets	\$ 49,967	\$ 296,358	\$ 300,870
Capital assets, net	<u>451,426</u>	<u>-</u>	<u>-</u>
Total assets	<u>501,393</u>	<u>296,358</u>	<u>300,870</u>
Liabilities:			
Current liabilities	27,842	17,225	-
Long-term liabilities:			
Due within one year	50,196	-	-
Due in more than one year	<u>216,679</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>294,717</u>	<u>17,225</u>	<u>-</u>
Net position:			
Net investment in capital assets	184,551	-	-
Unrestricted net position	<u>22,125</u>	<u>279,133</u>	<u>300,870</u>
Total net position	\$ <u>206,676</u>	\$ <u>279,133</u>	\$ <u>300,870</u>

Cuyahoga Heights Community Improvement Corporation

Management's Discussion and Analysis

For the Years Ended December 31, 2012 and 2011 (Unaudited)

REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Table 2 below summarizes the changes in Revenues and Expenses and the resulting change in Net Position.

TABLE 2

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues:			
Miscellaneous income	\$ <u>-</u>	\$ <u>5,726</u>	\$ <u>-</u>
Total operating revenues	<u>-</u>	<u>5,726</u>	<u>-</u>
Operating expenses:			
Grants	51,492	18,792	222,000
Professional fees	15,811	8,701	5,366
Other	<u>2,223</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>69,526</u>	<u>27,493</u>	<u>227,366</u>
Operating loss	<u>(69,526)</u>	<u>(21,767)</u>	<u>(227,366)</u>
Non-operating revenues (expenses):			
Investment income	26	30	2,121
Interest and fiscal charges	<u>(2,957)</u>	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(2,931)</u>	<u>30</u>	<u>2,121</u>
Changes in net position	(72,457)	(21,737)	(225,245)
Net position at beginning of year	<u>279,133</u>	<u>300,870</u>	<u>526,115</u>
Net position at end of year	\$ <u>206,676</u>	\$ <u>279,133</u>	\$ <u>300,870</u>

Revenues decreased by \$5,730, or 99.6 percent, from 2011 to 2012 and increased \$3,635 or 171 percent, from 2010 to 2011. The decrease in revenue in 2012 and increase in revenue in 2011 were due to the same reason. In 2011, the Corporation received a reimbursement back for an unused grant given out in 2010. Expenses increased by \$44,990, or 164 percent, from 2011 to 2012 and decreased \$199,873, or 88 percent, from 2010 to 2011. The increase in expenses, from 2011 to 2012, was a result of additional grants awarded plus additional professional fees related to the purchase of property in 2012. The decrease in expenses, from 2010 to 2011, was a result of the Corporation awarding significantly less grants in 2011.

Cuyahoga Heights Community Improvement Corporation

Management's Discussion and Analysis

For the Years Ended December 31, 2012 and 2011 (Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the Corporation had \$184,551 in net investment in capital assets while the balance was \$0 in 2011. The only capital asset is land held at December 31, 2012 for \$451,426. There were no capital assets held by the Corporation at December 31, 2011. Additional information can be found in Note 5.

Debt

At December 31, 2012, the Corporation had \$266,875 in outstanding debt related to a promissory note signed for the purchase of property in 2012. There was no debt outstanding at December 31, 2011. Additional information can be found in Note 6.

CURRENT RELATED FINANCIAL ACTIVITIES

At December 31, 2012 and 2011 the Corporation had total assets of \$501,393 and \$296,358 and total net position of \$206,676 and \$279,133, respectively. This resulted in a decrease in net position of \$72,457 and \$21,737 for 2012 and 2011 respectively. Management continues to monitor all activity affecting the condition of the Corporation.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to Robert Unger, Village Clerk, Village of Cuyahoga Heights, 4863 East 71st Street, Cuyahoga Heights, Ohio 44125.

Cuyahoga Heights Community Improvement Corporation

Statements of Net Position

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current:		
Cash and cash equivalents	\$ 49,967	\$ 296,358
Noncurrent:		
Non-depreciable capital assets (Note 5)	<u>451,426</u>	<u>-</u>
<i>Total assets</i>	<u>501,393</u>	<u>296,358</u>
Liabilities		
Current liabilities:		
Accounts payable	27,160	17,225
Accrued interest payable	682	-
Current maturities of long-term debt (Note 6)	<u>50,196</u>	<u>-</u>
Total current liabilities	78,038	17,225
Other long-term liabilities:		
Long-term debt, net of current portion (Note 6)	<u>216,679</u>	<u>-</u>
<i>Total liabilities</i>	<u>294,717</u>	<u>17,225</u>
Net Position		
Net investment in capital assets	184,551	-
Unrestricted	<u>22,125</u>	<u>279,133</u>
<i>Total net position</i>	\$ <u><u>206,676</u></u>	\$ <u><u>279,133</u></u>

The accompanying notes are an integral part of these financial statements

Cuyahoga Heights Community Improvement Corporation

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Miscellaneous income	\$ <u>-</u>	\$ <u>5,726</u>
Operating expenses:		
Grants	51,492	18,792
Professional fees	15,811	8,701
Other	<u>2,223</u>	<u>-</u>
Total supporting services	<u>18,034</u>	<u>8,701</u>
Total operating expenses	<u>69,526</u>	<u>27,493</u>
Operating loss	<u>(69,526)</u>	<u>(21,767)</u>
Non-operating revenues (expenses):		
Investment income	26	30
Interest and fiscal charges	<u>(2,957)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(2,931)</u>	<u>30</u>
Change in net position	(72,457)	(21,737)
Net position at beginning of year	<u>279,133</u>	<u>300,870</u>
Net position at end of year	\$ <u><u>206,676</u></u>	\$ <u><u>279,133</u></u>

The accompanying notes are an integral part of these financial statements

Cuyahoga Heights Community Improvement Corporation

Statements of Cash Flows

For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash receipts for other	\$ -	\$ 5,726
Cash payments for grants	(44,099)	(7,193)
Cash payments for goods and services	<u>(15,492)</u>	<u>(3,075)</u>
Net cash used for operating activities	<u>(59,591)</u>	<u>(4,542)</u>
Cash flow from capital and related financing activities:		
Purchases of property and equipment	(451,426)	-
Proceeds from long-term debt	275,000	-
Interest paid	(2,275)	-
Principal payments on long-term debt	<u>(8,125)</u>	<u>-</u>
Net cash used for financing activities	<u>(186,826)</u>	<u>-</u>
Cash flows from investing activities:		
Interest and dividends received	<u>26</u>	<u>30</u>
Net change in cash	(246,391)	(4,512)
Cash and cash equivalents at beginning of year	<u>296,358</u>	<u>300,870</u>
Cash and cash equivalents at end of year	\$ <u><u>49,967</u></u>	\$ <u><u>296,358</u></u>
<i>Reconciliation of operating loss to net cash from operating activities:</i>		
Operating loss	\$ (69,526)	\$ (21,767)
Changes in operating liabilities:		
Increase in accounts payable	<u>9,935</u>	<u>17,225</u>
Net cash used for operating activities	\$ <u><u>(59,591)</u></u>	\$ <u><u>(4,542)</u></u>

The accompanying notes are an integral part of these financial statements

Cuyahoga Heights Community Improvement Corporation

Notes to Basic Financial Statements

December 31, 2012 and 2011

Note 1: REPORTING ENTITY

The Cuyahoga Heights Community Improvement Corporation (the “Corporation”) is a non-profit organization incorporated in the State of Ohio on June 15, 1982 for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of the Village of Cuyahoga Heights and the territory surrounding the Village. Operations commenced March 9, 2005.

The Corporation acts as the agency and instrumentality of the Village of Cuyahoga Heights for the industrial, commercial, distribution, and research development in the Village in accordance with Section 1724.01 of the Ohio Revised Code.

The Corporation is affiliated with a governmental unit because the purpose of the Corporation is to facilitate the Village of Cuyahoga Heights’ mission in improving the quality of life and economic environment for the citizens of the Village of Cuyahoga Heights. The primary funding for the Corporation is supplied by the Village, and in the event the Corporation ceases to operate, all remaining funds and assets are transferred to the Village. Additionally, no less than two-fifths of the governing board of the Corporation shall be comprised of appointed or elected officers of the Village of Cuyahoga Heights or other political subdivision designating the Corporation as its agency pursuant to Section 1724.01 of the Ohio Revised Code.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements – and Management Analysis – for State and Local Governments. The Corporation also applies Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 to its enterprise activities unless those pronouncements conflict with or contradict GASB pronouncements. The Corporation's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. The Corporation uses enterprise fund accounting to prepare the financial statements. Enterprise fund accounting focuses on the determination of operating income, changes in net position, financial position and cash flows. Net Position is comprised of unrestricted components. Operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net position.

Basis of Presentation

The financial statements of the Corporation have been prepared on the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

Measurement Focus and Basis of Accounting

The Corporations operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the statement of net position. The operating statement presents increases (i.e. revenues) and decreases (i.e. expenses) in net position.

Cuyahoga Heights Community Improvement Corporation

Notes to Basic Financial Statements (continued)

December 31, 2012 and 2011

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentrations

Financial instruments, which potentially subject the Corporation to concentrations of credit risk, consist primarily of periodic temporary investments of excess cash. The Corporation places its temporary excess cash in high-quality financial institutions.

Income Taxes

The Corporation has qualified for a tax exemption under Section 501c(3) of the Internal Revenue Code and, accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

Income taxes are accounted for under the provisions of the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. The Corporation classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. As of December 31, 2012, the Corporation has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

The Corporation believes it is no longer subject to examinations by the Internal Revenue Service for fiscal years prior to December 31, 2009.

Property and Equipment

All purchased property and equipment are stated at cost. Donated property is capitalized at estimated fair value at the date of donation.

The Corporation depreciates the capital assets other than land using the straight line method based on the estimated useful lives of the assets of ten years.

Cuyahoga Heights Community Improvement Corporation

Notes to Basic Financial Statements (continued)

December 31, 2012 and 2011

Note 3: CASH AND CASH EQUIVALENTS

At December 31, 2012, the Corporation maintains its cash balance in a money market account. The Corporation's carrying value of cash and cash equivalents was \$49,967. The Corporation's bank balance, which was held in one financial institution, was covered by the Federal Depository Insurance Corporation, as the balance is under \$250,000.

At December 31, 2011, the Corporation maintains its cash balance in a money market account. The Corporation's carrying value of cash and cash equivalents was \$296,358. The Corporation's bank balance, which was held in one financial institution, was \$296,358, and \$46,358 was exposed to custodial credit risk as discussed below, while \$250,000 was covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk: is the risk that in the event of bank failure, the Corporation's deposits may not be returned. The Corporation has a policy regarding custodial credit risk. In addition, state law does not require security for public deposits and investment to be maintained in the Corporation's name.

Note 4: ACCOUNTS PAYABLE

At December 31, 2012, the accounts payable of the Corporation consists of fees for professional services, property tax payments, and payments for grants.

Note 5: CAPITAL ASSETS

A summary of changes in capital assets during 2012 follows:

	Balance <u>12/31/11</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/12</u>
Non-depreciable assets:				
Land	\$ <u>-</u>	\$ <u>451,426</u>	\$ <u>-</u>	\$ <u>451,426</u>

There was no capital asset activity for the year ended December 31, 2011.

Cuyahoga Heights Community Improvement Corporation

Notes to Basic Financial Statements (continued)

December 31, 2012 and 2011

Note 6: LONG-TERM DEBT

Long-term debt is comprised of the following:

	Balance <u>12/31/11</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/12</u>	Due Within <u>One Year</u>
Promissory Note Payable, due through October 2017.	\$ <u>-</u>	\$ <u>275,000</u>	\$ <u>8,125</u>	\$ <u>266,875</u>	\$ <u>50,196</u>

In October 2012, the Corporation financed the purchase of property with a promissory note payable. The note has a fixed interest rate of 5.0% and is payable in 60 monthly installment of \$5,200 ending in October 2017. It is secured by the related property.

On April 11, 2013 the Village of Cuyahoga Heights transferred \$300,000 to the Corporation to cover property acquisition costs and other expenditures for 2013. This transfer will be used to pay off the remaining note balance.

The aggregate amounts of maturities on long-term debt as of December 31, 2012 as follows:

2013	\$ 50,196
2014	52,764
2015	55,464
2016	58,302
2017	<u>50,149</u>
	\$ <u>266,875</u>

There was no debt activity for the year ended December 31, 2011.

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

Cuyahoga Heights Community Improvement Corporation
Cuyahoga County
4863 East 71st Street
Cuyahoga Heights, Ohio 44125

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Cuyahoga Heights Community Improvement Corporation, Cuyahoga County, (the Corporation) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated August 6, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

August 6, 2013



Dave Yost • Auditor of State

CUYAHOGA HEIGHTS COMMUNITY IMPROVEMENT CORPORATION

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
AUGUST 20, 2013**