



Mary Taylor, CPA
Auditor of State

**CITY OF UNIVERSITY HEIGHTS
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Sewer Maintenance “A” Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Urban Redevelopment Fund	21
Statement of Fiduciary Net Assets – Agency Fund	22
Notes to the Basic Financial Statements	23
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
Schedule of Findings.....	51
Schedule of Prior Audit Findings.....	53

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of University Heights
Cuyahoga County
2300 Warrensville Center Road
University Heights, Ohio 44118

To the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of University Heights, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of University Heights, Cuyahoga County, Ohio, as of December 31, 2010, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Sewer Maintenance "A", and Urban Redevelopment funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2011, on our consideration of the City'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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

September 21, 2011

City of University Heights, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2010

The discussion and analysis of the City of University Heights's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2010 are as follows:

- ◆ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$6,269,818. Of this amount, \$4,075,684 may be used to meet the City's on-going obligations to citizens and creditors.
- ◆ The net assets decreased by \$648,356 from the prior year. Assets decreased by \$697,078, and liabilities decreased by \$48,722.
- ◆ The total fund balance for the General Fund was \$1,852,756, an increase of \$720,600 from prior year. The General Fund revenues decreased by \$415,832 or 3.1 percent. The General Fund expenditures increased by \$183,509 or 1.7 percent from prior year. Transfers from the General Fund to the other funds decreased by \$807,968 or 46.1 percent.

Using this Annual Financial Report

This discussion and analysis are intended to serve as an introduction to the City of University Heights's basic financial statements. The City of University Heights's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements – Reporting the City of University Heights as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets presents information on all the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decrease in net assets may serve as a useful indicator of whether the financial position of the City of University Heights is improving or deteriorating. However, in evaluating the overall position of the City, non-financial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

City of University Heights, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2010

Fund Financial Statements - Reporting the City of University Heights's Most Significant Funds

Fund Financial Statements

The fund financial statements are used to report additional and detailed information about the City. These statements focus on major funds of the City. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of University Heights can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

For the City's governmental funds, information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General fund, and other major funds.

The basic governmental fund financial statements can be found starting on page 13 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources are not available to support the City's own programs. The fiduciary fund financial statements can be found starting on page 22 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found starting on page 23 of this report.

City of University Heights, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2010

Government-wide Financial Analysis - City of University Heights as a Whole

As noted earlier, the Statement of Net Assets looks at the City as a whole and can prove to be a useful indicator of the City's financial position.

The Statement of Net Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning and End of Year

Table 1 provides a summary of the City's net assets for 2010 as compared to 2009.

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
		<u>Restated</u>
Assets:		
Current and other assets	\$ 11,347,323	\$ 11,612,392
Capital assets, net	<u>5,904,146</u>	<u>6,336,155</u>
<i>Total assets</i>	<u>17,251,469</u>	<u>17,948,547</u>
Liabilities:		
Current liabilities	3,698,995	4,784,500
Long-term liabilities		
Due within one year	5,401,408	4,001,469
Due in more than one year	<u>1,881,248</u>	<u>2,244,404</u>
<i>Total liabilities</i>	<u>10,981,651</u>	<u>11,030,373</u>
Net assets:		
Invested in capital assets, net of related debt	1,765,963	1,897,319
Restricted for:		
Capital projects	41,572	41,572
Debt service	386,599	345,044
Unrestricted	<u>4,075,684</u>	<u>4,634,239</u>
<i>Total net assets</i>	<u>\$ 6,269,818</u>	<u>\$ 6,918,174</u>

City of University Heights, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2010

Total assets decreased \$697,078. The majority of decrease was due to a \$432,009 decrease in capital assets since depreciation expense exceeded capital asset additions. Total liabilities remained fairly consistent from the prior year. Long-term liabilities increased \$1,036,783 mainly due to the \$1,496,927 payable for payments in lieu of taxes the City is required to make to the Trustee in 2011 related to the University Square Parking Garage. This increase was offset by decreases in accounts payable, including contracts and retainage payables, and accrued wages of \$866,449. These decreases were mainly due to less projects in 2010 compared to 2009 and timing differences in year-end payroll.

A portion of the City's net assets (28.17 percent) reflects the investments in capital assets less any related debt to acquire those assets that is still outstanding. These capital assets are used to provide services to the City's citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (6.83 percent) represents resources that have been restricted on how they may be used. The remaining balance of unrestricted net assets \$4,075,684 may be used to meet the government's on-going obligations to its citizens and creditors.

City of University Heights, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2010

In order to further understand what makes up the changes in net assets for the current year, Table 2 provides further details regarding the results of activities for the current year.

Table 2
Changes in Net Assets

	Governmental Activities	
	2010	2009
Program revenues:		
Charges for services	\$ 2,432,803	\$ 1,300,808
Operating grants and contributions	78,229	125,989
Capital grants and contributions	<u>1,694,702</u>	<u>1,833,228</u>
Total program revenues	<u>4,205,734</u>	<u>3,260,025</u>
General revenues:		
Property taxes	2,553,132	3,292,276
Income taxes	8,943,267	7,777,904
Payments in lieu of taxes	3,681,784	4,131,516
Grants and entitlements	1,084,721	1,786,221
Investment earnings	2,184	6,181
Miscellaneous	<u>46,064</u>	<u>66,348</u>
Total general revenues	<u>16,311,152</u>	<u>17,060,446</u>
Total revenues	<u>20,516,886</u>	<u>20,320,471</u>
Program expenses:		
Security of persons and property	8,114,598	7,630,618
Public health services	26,290	52,340
Leisure time activities	344,131	374,608
Community environment	6,450,370	5,084,921
Public works	3,109,165	3,558,956
Transportation	1,422,251	1,891,848
General government	1,556,279	1,566,591
Interest and fiscal charges	<u>142,158</u>	<u>123,112</u>
Total program expenses	<u>21,165,242</u>	<u>20,282,994</u>
Increase (decrease) in net assets before special item	(648,356)	37,477
Special item	<u>-</u>	<u>(712,397)</u>
Change in net assets	(648,356)	(674,920)
Net assets at beginning of year, restated	<u>6,918,174</u>	<u>7,593,094</u>
Net assets at end of year	\$ <u><u>6,269,818</u></u>	\$ <u><u>6,918,174</u></u>

City of University Heights, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2010

Total revenues increased \$196,415 or 0.97 percent mainly due to an increase in income tax receipts in 2010. The City's largest revenue source is income tax. The City's income tax rate is 2.5 percent of gross income. There is a credit of 1.0 percent for those residents who work in another municipality/subdivision where income tax is withheld. The City's collection agency is the Regional Income Tax Agency located in Brecksville, Ohio. During 2010, the income tax revenue was \$8,943,267. Another major revenue source is property taxes. The effective tax rate for 2010 was \$13.20 per \$1,000 of assessed valuation. The annual property tax is calculated using the taxable value (market value multiplied by 35 percent) of the property multiplied by the property effective tax rate levied by the City, Cuyahoga County, Cleveland Heights-University Heights City School District and Cleveland Heights-University Heights Public Library. During 2010, the property tax revenue was approximately \$2,553,132. The City received \$3,681,784 in payments in lieu of taxes from the University Square Tax Increment Financing Project. This was the third year in which revenue was generated from the project.

Total program expenses increased \$882,248 or 4.35 percent mainly due to the \$1,496,927 payable for payments in lieu of taxes the City is required to make to the Trustee in 2011 related to the University Square Parking Garage. Expenses are categorized by functions. The largest program, security of persons and property which includes police, fire, police and fire communications, traffic control, animal control, and public safety was around 38.34 percent of the governmental expenses. Training plays a crucial role in keeping up with the rapidly changing laws, practices and technology. Training among our employees is performed in-house, attending seminars/conferences, continuing education classes, practice drills, and watching training videos. The second largest program is community environment which is made up of the building department, community services, and urban redevelopment tax increment financing and was approximately 30.48 percent of the governmental expenses. The City is a labor intensive industry and the expenses of the governmental activities are mainly salaries, wages and benefits. The City does have an annual road program which entails major and minor resurfacing of the various streets in University Heights. For the major resurfacing projects, the City has actively pursued grants and financial assistance from the Ohio Public Works Commission and the Ohio Water Development Authority. In addition, the City borrows on the open market by way of general obligation notes issued and rolled over year to year until paid down.

The City's Funds

Information about the City's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the year, the City's governmental funds reported combined ending fund balances of \$3,604,703. In 2010, unreserved fund balance, which is available for spending at the government's discretion, is at \$3,350,964. The fund balance of \$253,739 is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of prior periods and for a variety of other purposes.

The General Fund is the main operating fund of the City. At the end of 2010, total fund balance for the General Fund was \$1,852,756 of which \$1,654,399 was undesignated for financial reporting purposes. The general fund balance increased by \$720,600 during the current fiscal year. Key factors for this are as follows: The General

City of University Heights, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2010

Fund revenues decreased by \$415,832 or 3.1 percent from prior year, expenditures in total increased only \$183,509 or 1.6 percent from the prior year and net other financing uses decreased \$805,746 or 46.1 percent. Overall, the revenue base continued to meet City obligations. To combat the uncertain economic times, the City has taken cost-cutting measures to ensure its viability for many years to come.

General Fund Budgeting Highlights

The most significant budgeted fund is the General Fund. Over the course of the year, the City Council revised the City's general fund budget to prevent budget overruns.

For the General Fund, final budgeted basis revenues were \$678,686 above the original estimate of \$12,425,797, primarily due to increases in the estimate of collections for municipal income taxes.

The original appropriations, including other financing uses of \$12,492,245 were increased to \$12,984,845. Even with these adjustments, the actual charges to appropriations (expenditures) were \$475,540 below the final budgeted amount for the General Fund.

Capital Assets and Debt Administration

Capital Assets

At the end of 2010, the City of University Heights had \$5,904,146 invested in a broad range of capital assets, including land, buildings, improvements, machinery and equipment, park facilities, furniture and fixtures and vehicles.

Table 3 shows fiscal 2010 balances of capital assets as compared to 2009:

Table 3
Capital Assets at December 31

	Governmental Activities	
	2010	2009
Land	\$ 212,260	\$ 212,260
Buildings and improvements	1,697,143	1,697,143
Vehicles	2,774,562	2,774,562
Equipment	1,218,646	1,131,974
Infrastructure	6,032,676	5,429,631
Construction in progress	-	575,845
Less: accumulated depreciation	<u>(6,031,141)</u>	<u>(5,485,260)</u>
Total capital assets	\$ <u>5,904,146</u>	\$ <u>6,336,155</u>

City of University Heights, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2010

The City has an aggressive stance on maintaining its assets, including infrastructure, in excellent condition. Vehicles such as fire trucks are planned for well in advance by the respective department heads and a scheduled maintenance and replacement timetable is followed to provide peak performance for the maximum time frame. During 2010, the City purchased equipment for \$86,672. The City also completed the University Parkway street reconstruction project. More detailed information about the City's capital assets is presented in Note 7 to the financial statements.

Debt

At December 31, 2010, the City of University Heights had \$4,410,717 in outstanding debt, of which \$520,000 was in general obligation bonds. Table 4 summarizes the outstanding debt obligations of the City.

Table 4
Outstanding Debt at Year End

	Governmental Activities	
	2010	2009
General obligation bonds	\$ 520,000	\$ 630,000
OWDA loans	-	47,338
OPWC loans	433,783	465,362
Accrued police pension	272,534	278,679
Capital leases	283,400	382,136
General obligation bond anticipation notes	<u>2,901,000</u>	<u>2,914,000</u>
Total	\$ <u>4,410,717</u>	\$ <u>4,717,515</u>

The City paid \$110,000 on principal for general obligation bonds on the Purvis Park Pool. General obligation bond anticipation notes were issued mainly for street programs in the amount of \$2,901,000. The City's general obligation bond rating continues to carry an A1 rating, assigned by national rating agencies to the City's debt since 1997. The State limits the amount of general obligation debt that cities can issue to 5.50 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below the state imposed limit.

Other obligations include police pension liability, accrued vacation and sick leave, OPWC loans, capital leases and accrued settlements. More detailed information about the City's long-term liabilities is presented in Note 10, Note 11 and Note 14 to the financial statements.

Current Related Financial Activities

The City's elected and appointed officials considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for activities. One main, continuing factor is the economy. In preparing estimates for General Fund revenues, the City anticipates decreased revenues in several areas. Of particular interest are anticipated reduced collections of property taxes and municipal income taxes in 2011 over 2010 revenues. The City is continuing with prior years cuts to help maintain the integrity of the budget, included limited capital expenditures and cutting of overtime budgets as well as maintain current levels of staffing with no new hires. The City has added no major programs or initiatives; however, the City will

City of University Heights, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2010

continue to pursue grants for projects. If these estimates are realized, the City's General Fund balance is expected to increase modestly by the close of 2011.

Contacting the City of University Heights's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Jenny Esarey, Director of Finance, at 2300 Warrensville Center Road, University Heights, Ohio 44118.

This Page Intentionally Left Blank

City of University Heights, Ohio

Statement of Net Assets

December 31, 2010

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 3,020,279
Materials and supplies inventory	74,575
Accounts receivable	186,404
Prepays	44,656
Project receivable	315,000
Intergovernmental receivable	861,093
Income taxes receivable	3,030,026
Property taxes receivable	2,705,776
Special assessment receivable	1,109,514
Nondepreciable capital assets	212,260
Depreciable capital assets, net	<u>5,691,886</u>
Total assets	<u>17,251,469</u>
Liabilities:	
Accounts payable	169,829
Accrued wages and benefits	117,900
Matured compensated absences	81,965
Intergovernmental payable	559,898
Accrued interest payable	34,574
Deferred revenue	2,734,829
Long term liabilities:	
Due within one year	5,401,408
Due in more than one year	<u>1,881,248</u>
Total liabilities	<u>10,981,651</u>
Net assets:	
Invested in capital assets, net of related debt	1,765,963
Restricted for:	
Capital projects	41,572
Debt service	386,599
Unrestricted	<u>4,075,684</u>
Total net assets	\$ <u><u>6,269,818</u></u>

The accompanying notes are an integral part of these basic financial statements

City of University Heights, Ohio

Statement of Activities

For the Year Ended December 31, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
Security of persons and property	\$ 8,114,598	\$ 783,647	\$ 65,749	\$ -	\$ (7,265,202)
Public health and welfare	26,290	-	-	-	(26,290)
Leisure time activities	344,131	84,361	-	-	(259,770)
Community environment	6,450,370	327,824	3,663	-	(6,118,883)
Public works	3,109,165	495,779	-	1,694,702	(918,684)
Transportation	1,422,251	466	-	-	(1,421,785)
General government	1,556,279	740,726	8,817	-	(806,736)
Interest and fiscal charges	142,158	-	-	-	(142,158)
Total governmental activities	\$ <u>21,165,242</u>	\$ <u>2,432,803</u>	\$ <u>78,229</u>	\$ <u>1,694,702</u>	<u>(16,959,508)</u>
General revenues:					
Property and other local taxes levied for:					
General purposes					2,014,252
Special revenue					119,750
Debt services					419,130
Payments in lieu of taxes					3,681,784
Municipal income taxes levied for:					
General purposes					8,943,267
Grants and entitlements not restricted to specific programs					1,084,721
Investment income					2,184
Miscellaneous income					46,064
Total general revenues					<u>16,311,152</u>
Change in net assets					(648,356)
Net assets at beginning of year, restated					<u>6,918,174</u>
Net assets at end of year					\$ <u>6,269,818</u>

The accompanying notes are an integral part of these basic financial statements

City of University Heights, Ohio

Balance Sheet Governmental Funds

December 31, 2010

	General	Sewer Maintenance A Special Revenue	Urban Redevelopment Special Revenue	General Bond Retirement Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and cash equivalents	\$ 912,053	\$ 75,601	\$ 1,496,927	\$ 98,430	\$ 437,268	\$ 3,020,279
Material and supplies inventory	44,575	-	-	-	30,000	74,575
Accounts receivable	186,404	-	-	-	-	186,404
Interfund receivable	54,943	-	-	-	-	54,943
Prepays	44,656	-	-	-	-	44,656
Project receivable	315,000	-	-	-	-	315,000
Intergovernmental receivable	620,724	-	-	35,665	204,704	861,093
Income taxes receivable	3,030,026	-	-	-	-	3,030,026
Property taxes receivable	2,143,870	-	-	437,040	124,866	2,705,776
Special assessments receivable	20,298	502,319	-	-	586,897	1,109,514
Total assets	\$ 7,372,549	\$ 577,920	\$ 1,496,927	\$ 571,135	\$ 1,383,735	\$ 11,402,266
Liabilities and fund balances:						
Liabilities:						
Accounts payable	\$ 108,524	\$ 11,487	\$ -	\$ -	\$ 49,818	\$ 169,829
Accrued wages and benefits	112,113	975	-	-	4,812	117,900
Matured compensated absences	81,965	-	-	-	-	81,965
Intergovernmental payable	263,991	1,932	-	-	293,975	559,898
Interfund payable	-	-	-	-	54,943	54,943
Deferred revenue	4,953,200	502,319	-	506,749	850,760	6,813,028
Total liabilities	5,519,793	516,713	-	506,749	1,254,308	7,797,563
Fund balances:						
Reserved for encumbrances	109,126	41,750	-	-	13,632	164,508
Reserved for inventory	44,575	-	-	-	-	44,575
Reserved for prepaids	44,656	-	-	-	-	44,656
Unreserved (deficit), reported in:						
General fund	1,654,399	-	-	-	-	1,654,399
Debt service fund	-	-	-	64,386	161,187	225,573
Capital projects funds	-	-	-	-	41,572	41,572
Special revenue funds	-	19,457	1,496,927	-	(86,964)	1,429,420
Total fund balances	1,852,756	61,207	1,496,927	64,386	129,427	3,604,703
Total liabilities and fund balances	\$ 7,372,549	\$ 577,920	\$ 1,496,927	\$ 571,135	\$ 1,383,735	\$ 11,402,266

The accompanying notes are an integral part of these basic financial statements

City of University Heights, Ohio

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

December 31, 2010

Total Governmental Funds Balances \$ 3,604,703

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 5,904,146

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Property taxes	\$ 226,267	
Municipal income taxes	1,719,577	
Charges for services	100,114	
Special assessments	1,109,514	
Intergovernmental	<u>922,727</u>	
Total		4,078,199

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (34,574)

Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.

General obligation bonds	(520,000)	
Long-term notes payable	(2,901,000)	
OPWC loans	(433,783)	
Accrued police pension	(272,534)	
Capital leases payable	(283,400)	
Settlements/judgments	(1,496,927)	
Accrued compensated absences	<u>(1,375,012)</u>	
Total		<u>(7,282,656)</u>

Net Assets of Governmental Activities \$ 6,269,818

The accompanying notes are an integral part of these basic financial statements

City of University Heights, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended December 31, 2010

	General	Sewer Maintenance A Special Revenue	Urban Redevelopment Special Revenue	General Bond Retirement Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property and other local taxes	\$ 2,038,553	\$ -	\$ -	\$ 419,130	\$ 119,750	\$ 2,577,433
Municipal income taxes	9,284,183	-	-	-	-	9,284,183
Payments in lieu of taxes	-	-	3,681,784	-	-	3,681,784
Intergovernmental	354,346	1,694,702	-	69,362	531,450	2,649,860
Charges for services	459,799	-	-	-	-	459,799
Licenses, permits and fees	701,404	-	-	-	14,521	715,925
Special assessments	16,763	378,785	-	-	440,621	836,169
Investment income	2,171	-	-	-	13	2,184
Miscellaneous income	37,546	-	-	-	6,919	44,465
Total revenues	<u>12,894,765</u>	<u>2,073,487</u>	<u>3,681,784</u>	<u>488,492</u>	<u>1,113,274</u>	<u>20,251,802</u>
Expenditures:						
Current operations and maintenance:						
Security of persons and property	7,077,282	1,170	-	-	1,158,027	8,236,479
Public health and welfare	26,290	-	-	-	-	26,290
Leisure time activities	342,295	-	-	-	-	342,295
Community environment	696,861	-	4,181,784	-	134,048	5,012,693
Public works	1,108,950	1,751,357	-	-	210,061	3,070,368
Transportation	393,618	-	-	-	594,872	988,490
General government	1,510,313	-	-	-	60,566	1,570,879
Debt service:						
Principal retirement	63,268	-	-	3,024,000	120,530	3,207,798
Interest and fiscal charges	11,339	-	-	108,975	18,445	138,759
Total expenditures	<u>11,230,216</u>	<u>1,752,527</u>	<u>4,181,784</u>	<u>3,132,975</u>	<u>2,296,549</u>	<u>22,594,051</u>
Excess of revenues over (under) expenditures	<u>1,664,549</u>	<u>320,960</u>	<u>(500,000)</u>	<u>(2,644,483)</u>	<u>(1,183,275)</u>	<u>(2,342,249)</u>
Other financing sources (uses):						
Issuance of notes	-	308,000	-	-	2,593,000	2,901,000
Transfers-in	-	-	-	2,676,000	943,949	3,619,949
Transfers-out	<u>(943,949)</u>	<u>(308,000)</u>	<u>-</u>	<u>-</u>	<u>(2,368,000)</u>	<u>(3,619,949)</u>
Total other financing sources (uses)	<u>(943,949)</u>	<u>-</u>	<u>-</u>	<u>2,676,000</u>	<u>1,168,949</u>	<u>2,901,000</u>
Net change in fund balances	720,600	320,960	(500,000)	31,517	(14,326)	558,751
Fund balances (deficits) at beginning of year, restated	<u>1,132,156</u>	<u>(259,753)</u>	<u>1,996,927</u>	<u>32,869</u>	<u>143,753</u>	<u>3,045,952</u>
Fund balances at end of year	\$ <u>1,852,756</u>	\$ <u>61,207</u>	\$ <u>1,496,927</u>	\$ <u>64,386</u>	\$ <u>129,427</u>	\$ <u>3,604,703</u>

The accompanying notes are an integral part of these basic financial statements

City of University Heights, Ohio

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 558,751

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	\$ 113,872	
Depreciation	<u>(545,881)</u>	
Total		(432,009)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property and other taxes	(24,301)	
Municipal income taxes	(340,916)	
Charges for services	100,114	
Special assessments	322,150	
Intergovernmental	<u>208,037</u>	
Total		265,084

Repayments of bond, note, loan and capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 3,207,798

Proceeds from debt issues and inceptions of capital leases are other financing sources in the funds, but debt issues and new leases increase long-term liabilities in the Statement of Net Assets (2,901,000)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued compensated absences	153,346	
Settlements/judgments	(1,496,927)	
Accrued interest on debt	<u>(3,399)</u>	
Total		<u>(1,346,980)</u>

Change in Net Assets of Governmental Activities \$ (648,356)

The accompanying notes are an integral part of these basic financial statements

City of University Heights, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund

For the Year Ended December 31, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other local taxes	\$ 2,583,257	\$ 2,583,257	\$ 2,250,101	\$ (333,156)
Municipal income taxes	7,230,424	7,728,994	7,973,734	244,740
Intergovernmental	1,514,552	1,618,987	1,670,253	51,266
Charges for services	410,181	438,465	452,349	13,884
Licenses, permits and fees	607,876	649,791	670,367	20,576
Investment income	2,559	2,735	2,822	87
Miscellaneous income	76,948	82,254	84,859	2,605
Total revenues	<u>12,425,797</u>	<u>13,104,483</u>	<u>13,104,485</u>	<u>2</u>
Expenditures:				
Current operations and maintenance:				
General government	1,642,667	1,781,818	1,531,117	250,701
Security of persons and property	7,089,066	7,269,566	7,181,587	87,979
Public works	1,111,954	1,229,454	1,220,707	8,747
Transportation	434,178	440,178	412,043	28,135
Public health and welfare	52,500	52,500	26,290	26,210
Community environment	753,493	777,993	753,400	24,593
Leisure time activities	391,431	397,431	348,256	49,175
Debt service:				
Principal	70,852	70,852	70,852	-
Interest and fiscal charges	<u>12,161</u>	<u>12,161</u>	<u>12,161</u>	<u>-</u>
Total expenditures	<u>11,558,302</u>	<u>12,031,953</u>	<u>11,556,413</u>	<u>475,540</u>
Excess of revenues over (under) expenditures	<u>867,495</u>	<u>1,072,530</u>	<u>1,548,072</u>	<u>475,542</u>
Other financing sources (uses):				
Transfers-out	(925,000)	(943,949)	(943,949)	-
Advances-out	<u>(8,943)</u>	<u>(8,943)</u>	<u>(8,943)</u>	<u>-</u>
Total financing sources (uses):	<u>(933,943)</u>	<u>(952,892)</u>	<u>(952,892)</u>	<u>-</u>
Net change in fund balance	(66,448)	119,638	595,180	475,542
Prior year encumbrances appropriated	142,678	142,678	142,678	-
Fund balance at beginning of year	<u>36,373</u>	<u>36,373</u>	<u>36,373</u>	<u>-</u>
Fund balance at end of year	\$ <u>112,603</u>	\$ <u>298,689</u>	\$ <u>774,231</u>	\$ <u>475,542</u>

The accompanying notes are an integral part of these basic financial statements

City of University Heights, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual – Sewer Maintenance “A” Fund

For the Year Ended December 31, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special assessments	\$ 84,946	\$ 378,785	\$ 378,785	\$ -
Intergovernmental	<u>380,054</u>	<u>1,694,702</u>	<u>1,694,702</u>	<u>-</u>
Total revenues	<u>465,000</u>	<u>2,073,487</u>	<u>2,073,487</u>	<u>-</u>
Expenditures:				
Current operations and maintenance:				
Public works	<u>571,844</u>	<u>2,225,844</u>	<u>2,164,805</u>	<u>61,039</u>
Excess of revenues over (under) expenditures	<u>(106,844)</u>	<u>(152,357)</u>	<u>(91,318)</u>	<u>61,039</u>
Other financing sources (uses):				
Sale of notes	300,000	308,000	308,000	-
Transfers-out	<u>(300,000)</u>	<u>(308,000)</u>	<u>(308,000)</u>	<u>-</u>
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(106,844)	(152,357)	(91,318)	61,039
Prior year encumbrances appropriated	33,784	33,784	33,784	-
Fund balance at beginning of year	<u>91,385</u>	<u>91,385</u>	<u>91,385</u>	<u>-</u>
Fund balance at end of year	\$ <u>18,325</u>	\$ <u>(27,188)</u>	\$ <u>33,851</u>	\$ <u>61,039</u>

The accompanying notes are an integral part of these basic financial statements

City of University Heights, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual – Urban Redevelopment Fund

For the Year Ended December 31, 2010

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Payments in lieu of taxes	\$ 4,130,000	\$ 3,681,784	\$ 3,681,784	\$ -
Expenditures:				
Current operations and maintenance:				
Community environment	<u>4,130,000</u>	<u>4,181,785</u>	<u>4,181,784</u>	<u>1</u>
Net change in fund balance	-	(500,001)	(500,000)	1
Fund balance at beginning of year	<u>1,996,927</u>	<u>1,996,927</u>	<u>1,996,927</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>1,996,927</u></u>	\$ <u><u>1,496,926</u></u>	\$ <u><u>1,496,927</u></u>	\$ <u><u>1</u></u>

The accompanying notes are an integral part of these basic financial statements

City of University Heights, Ohio

Statement of Fiduciary Net Assets
Agency Funds

December 31, 2010

Assets:	
Equity in pooled cash and cash equivalents	\$ <u>302,069</u>
Liabilities:	
Deposits held and due to others	\$ <u>302,069</u>

The accompanying notes are an integral part of these basic financial statements

City of University Heights, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

Note 1: The Reporting Entity

The City of University Heights, Ohio (the “City”) is a municipal corporation governed by an elected mayor and council.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of University Heights, this includes police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City does not have any component units.

Note 2: Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the City’s accounting policies are described below.

A. Basis of Presentation

The City’s basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal activity is eliminated to avoid doubling up revenues and expenses.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

The Statement of Net Assets presents the financial condition of the governmental activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

Sewer Maintenance "A" Special Revenue Fund - The Sewer Maintenance "A" Special Revenue Fund accounts for all maintenance of the sewers.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Urban Redevelopment Special Revenue Fund - The Urban Redevelopment Tax Increment Equivalent Special Revenue Fund is used to collect service payments made in lieu of taxes and distributed to the Cleveland-Cuyahoga County Port Authority and Cleveland Heights-University Heights City School District.

General Bond Retirement Debt Service Fund - The General Bond Retirement Debt Service Fund accounts for the accumulation of resources to pay principal and interest on general obligation debt.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. The City's own fiduciary funds are agency funds which consist primarily of construction deposits.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets, except for fiduciary funds. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary activities. The City has no proprietary funds.

Fiduciary funds are reported using a flow of the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Available period for the City is sixty days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned.

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and entitlements, and rentals.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Deferred Revenue/Unearned Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

Annual budgets are adopted on a cash basis for all governmental funds. All annual appropriations lapse at fiscal year end.

The Mayor submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

The appropriated budget is prepared at the fund, department, personal services and other expenses level for all funds, which is the legal level of control. Contrary to Ohio Revised Code, the City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. Expenditures may not exceed appropriations at the legal level of control.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, except the investment trust fund, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During 2010, the portfolio was limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2010.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2010 amounted to \$2,171, of which, \$1,804 was assigned from other funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

G. Inventory

Inventories are stated at cost, on the first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the allocation method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

I. Capital Assets

General capital assets are those long-lived assets of the City as a whole. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

I. Capital Assets (continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of pavement, storm sewers, and sanitary sewers. Improvements that add to the value of the asset or materially extend the life of an asset are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	40 years
Equipment	5-7 years
Vehicles	5-7 years
Infrastructure	20-99 years

K. Interfund Balances

On the fund financial statements, receivables and payables resulting from transactions between funds for services provided or goods received and from short-term interfund loans are classified as "interfund receivables/payables." Interfund balance amounts are eliminated in the Statement of Net Assets.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims, judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

M. Compensated Absences

The City accrues vacation and sick leave benefits as earned by its employees if the leave is attributable to past service and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. The City accrued these benefits for those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future. These benefits are measured using the pay rates in effect at December 31, 2010.

N. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, prepaids, and inventories.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 2: Summary of Significant Accounting Policies (continued)

R. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3: Change in Accounting Principles/Policies and Restatement of Prior Year's Balances

A. Change in Accounting Principles

For 2010, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by the state and local governments. This statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements as the City has not applied for such protection.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 3: Change in Accounting Principles/Policies and Restatement of Prior Year's Balances

B. Change in Accounting Policies/Restatement of Prior Year's Balances

	<u>General</u>	<u>Sewer Maintenance "A"</u>	<u>Urban Redevelopment</u>	<u>General Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance,						
December 31, 2009	\$ 1,152,653	\$ (259,753)	\$ 1,996,927	\$ 32,869	\$ 198,626	\$ 3,121,322
Cash restatement	<u>(20,497)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,873)</u>	<u>(75,370)</u>
Adjusted Fund Balance,						
December 31, 2009	\$ <u>1,132,156</u>	\$ <u>(259,753)</u>	\$ <u>1,996,927</u>	\$ <u>32,869</u>	\$ <u>143,753</u>	\$ <u>3,045,952</u>
					<u>Governmental Activities</u>	
Net assets, December 31, 2009					\$ 7,204,310	
Cash restatement					(75,370)	
Restatement of capital assets					<u>(210,766)</u>	
Restated net assets, December 31, 2009					\$ <u>6,918,174</u>	

The December 31, 2009 cash balances for the General Fund and Street Maintenance Fund were overstated due to an error in the reconciliation process. The December 31, 2009 Net Assets have been restated due to a change in the City's capital asset accounting policy. In 2010, the City changed the capital asset capitalization threshold from three hundred dollars to five thousand dollars.

Note 4: Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are identified as follows:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Encumbrances are treated as expenditures (budget basis) rather than a reservation of fund balance (GAAP basis).

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 4: Budgetary Basis of Accounting (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund, Sewer Maintenance "A" Fund and Urban Redevelopment Fund.

	<u>Net Change in Fund Balance</u>		
	<u>General</u>	<u>Sewer Maintenance "A" Fund</u>	<u>Urban Redevelopment</u>
GAAP basis	\$ 720,600	\$ 320,960	\$ (500,000)
Increase (decrease) due to:			
Revenue accruals	209,720	-	-
Expenditure accruals	(226,014)	(370,528)	-
Outstanding encumbrances	<u>(109,126)</u>	<u>(41,750)</u>	<u>-</u>
Budget basis	<u>\$ 595,180</u>	<u>\$ (91,318)</u>	<u>(500,000)</u>

Note 5: Deposits and Investments

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are monies identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 5: Deposits and Investments (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
4. Investment grade obligations of state and local governments, and public authorities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either within the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred and five percent of the deposits being secured.

At year-end, the carrying amount of the City's deposits was \$3,286,571 and the bank balance was \$3,438,769. Of the bank balance \$500,000 was covered by Federal depository insurance and \$2,938,769 was uninsured and collateralized with securities held by the pledging institution's trust department, not in the City's name.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 5: Deposits and Investments (continued)

Investments

Investments are reported at fair value. As of December 31, 2010, the city had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
STAR Ohio	\$ <u>35,777</u>	58 days

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk requiring that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City's investment policy also limits security purchases to those that mature within five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than one year.

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the City must meet a set of prescribed standards and be periodically reviewed.

Credit Risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. All investments of the city are registered and carry a rating AAA by Standard & Poor's.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The City's investment policy places no limit on the amount the City may invest in one issuer.

Note 6: Receivables

A. Property Taxes

Property taxes include amounts levied against all real property and public utility tangible personal property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections for 2009 taxes. Property tax payments received during 2010 for tangible personal property, except for public utility property, are for prior year unpaid tangible personal property taxes.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 6: Receivables (continued)

A. Property Taxes (continued)

Real property taxes (other than public utility property) are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by the Cuyahoga County Auditor at 35 percent of the appraised market value, and reappraisal of all property is required every six years with a triennial update. The last reappraisal was completed for tax year 2009 affecting collections beginning in 2010.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due mid January with the remainder payable by mid July. Taxes not paid become delinquent after December 31 of the year in which payable. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. Public utility real and tangible personal property taxes collected during the calendar year were levied in the preceding calendar year based on assessed values as of January 1 of that preceding year, the lien date.

Tangible personal property used in business (except for public utilities) was phased out – the assessment percentage for all property including inventory for 2010 is zero. Amounts for prior year unpaid tangible personal property taxes may still be collected. Under Ohio law, personal property taxes do not attach as a lien on the personal property.

While property tax rates are levied by the City, the Cuyahoga County Auditor is statutorily responsible for administering and collecting real property taxes on the behalf of all taxing authorities in the county, including the City.

The tax rate levied to finance the City's services for the year ended December 31, 2010 was \$13.20. The assessed values of real and public utility property upon which 2010 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Category:	
Residential/agricultural	\$ 223,027,700
Commercial/industrial	26,189,890
Public utilities	<u>2,495,660</u>
Total	<u>\$ 251,713,250</u>

B. Income Taxes

The City levies municipal income tax of 2.5 percent on all salaries, wages, commissions and other compensation, and net profits earned within the City, as well as incomes of residents earned outside of the City. In the latter case, the City does allow a 1 percent credit for income tax paid to another municipality.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 6: Receivables (continued)

B. Income Taxes (continued)

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The Regional Income Tax Agency collects municipal income taxes for the City. Income tax revenue is credited entirely to the General Fund.

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

Governmental activities:

Estate tax	\$ 55,384
Local government	374,545
Homestead and rollback	217,996
Gasoline tax and auto registration	180,337
CAT tax	8,783
Court costs	10,012
Permissive tax	5,218
Miscellaneous	<u>8,818</u>
Total	\$ <u>861,093</u>

D. Loan Receivables

The City has a long-term project development agreement accounts receivable due in annual installments on the first business day of January through 2032 in the amount of \$15,000. As of December 31, 2010, \$315,000 is outstanding.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 7: Capital Assets

Capital asset activity for government the year ended December 31, 2010, was as follows:

	Restated Balances <u>12/31/09</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/10</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 212,260	\$ -	\$ -	\$ 212,260
Construction in progress	<u>575,845</u>	<u>27,200</u>	<u>(603,045)</u>	<u>-</u>
Total non-depreciable capital assets	<u>788,105</u>	<u>27,200</u>	<u>(603,045)</u>	<u>212,260</u>
Capital assets being depreciated:				
Buildings and improvements	1,697,143	-	-	1,697,143
Vehicles	2,774,562	-	-	2,774,562
Equipment	1,131,974	86,672	-	1,218,646
Infrastructure:				
Pavement	3,964,303	603,045	-	4,567,348
Storm sewers	230,271	-	-	230,271
Sanitary sewers	<u>1,235,057</u>	<u>-</u>	<u>-</u>	<u>1,235,057</u>
Total capital assets being depreciated	<u>11,033,310</u>	<u>689,717</u>	<u>-</u>	<u>11,723,027</u>
Less: accumulated depreciation				
Buildings and improvements	(875,732)	(33,588)	-	(909,320)
Vehicles	(2,171,196)	(216,216)	-	(2,387,412)
Equipment	(865,937)	(71,048)	-	(936,985)
Infrastructure:				
Pavement	(1,440,728)	(205,753)	-	(1,646,481)
Storm sewers	(41,276)	(3,838)	-	(45,114)
Sanitary sewers	<u>(90,391)</u>	<u>(15,438)</u>	<u>-</u>	<u>(105,829)</u>
Total accumulated depreciation	<u>(5,485,260)</u>	<u>(545,881)</u>	<u>-</u>	<u>(6,031,141)</u>
Net capital assets being depreciated	<u>5,548,050</u>	<u>143,836</u>	<u>-</u>	<u>5,691,886</u>
Governmental activities capital assets, net	\$ <u>6,336,155</u>	\$ <u>171,036</u>	\$ <u>(603,045)</u>	\$ <u>5,904,146</u>

Depreciation expense was charged to governmental activities as follows:

Security of persons and property	\$ 29,592
Leisure time activities	1,836
Community environment	2,551
Public works	51,454
Transportation	449,224
General government	<u>11,224</u>
Total	\$ <u>545,881</u>

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 8: Pension Plans

A. Ohio Public Employees Retirement System

The City of University Heights participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Plan Benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively; however, no police or fire officers of the City are members of OPERS. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The City's required contributions for pension obligations, excluding the health care portion, to all three plans for the years ended December 31, 2010, 2009, and 2008 were \$224,295, \$212,398, and \$181,648, respectively; 92.63 percent has been contributed for 2010 and 100 percent for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$8,659 made by the City of University Heights and \$6,185 made by the plan members.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 8: Pension Plans (continued)

B. Ohio Police and Fire Pension Fund (continued)

available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by state statute. The City's contributions to the OP&F for police and firefighters were \$312,693 and \$400,667, respectively, for the year ended December 31, 2010, \$300,571 and \$388,210, respectively, for the year ended December 31, 2009, and \$293,880 and \$402,047, respectively, for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. For 2010, 72.72 percent for police and 73.16 percent for firefighters has been contributed, with the remainder being reported as a liability.

Note 9: Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Plan – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH, 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 9: Postemployment Benefits (continued)

A. Ohio Public Employees Retirement System

percentage of the covered payroll of active members. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. In 2010, the City's contribution rate was 14.0 percent of covered payroll for local employees and 17.87 percent of covered payroll for law enforcement and public safety employees; no police or fire officers of the City are members of OPERS. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of the post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010 and 4.23 percent from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care for the years ended December 31, 2010, 2009, and 2008 were \$127,854, \$151,426, and \$181,648, respectively; 92.63 percent has been contributed for 2010 and 100 percent for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 9: Postemployment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code provides for contribution requirements of the participating employers and of the plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of the covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F for police and fire for the years ending December 31, 2010, 2009, and 2008 were \$165,431 and \$156,588, \$159,126 and \$151,908, and \$155,615 and \$157,340, respectively. For 2010, 72 percent for police and 73 percent for firefighters has been contributed, with the remainder being reported as a liability. The full amount has been contributed for 2009 and 2008.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 10: Long-Term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2010 was as follows:

	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/10</u>	<u>Due in One</u> <u>Year</u>
<i>Governmental activities:</i>					
General obligation bonds:					
6.25% 1995 Purvis Park Improvement Series A & B	\$ 630,000	\$ -	\$ (110,000)	\$ 520,000	\$ 115,000
Other long-term obligations :					
5.77% OWDA loan – Baintree	32,270	-	(32,270)	-	-
5.06% OWDA loan – Sewer Project	15,068	-	(15,068)	-	-
0.00% OPWC Issue II loan	232,292	-	(17,869)	214,423	17,869
0.00% OPWC Meadowbrook	233,070	-	(13,710)	219,360	13,710
Accrued police pension	278,679	-	(6,145)	272,534	6,513
Capital leases payable	382,136	-	(98,736)	283,400	103,475
2.50% Various purpose general obligation bond anticipation notes	2,914,000	-	(2,914,000)	-	-
1.50% Various purpose general obligation bond anticipation notes	-	2,901,000	-	2,901,000	2,901,000
Settlements/judgments (see Note 14)	-	1,496,927	-	1,496,927	1,496,927
Accrued compensated absences	<u>1,528,358</u>	<u>617,499</u>	<u>(770,845)</u>	<u>1,375,012</u>	<u>746,914</u>
Total other long-term obligations	<u>5,615,873</u>	<u>5,015,426</u>	<u>(3,868,643)</u>	<u>6,762,656</u>	<u>5,286,408</u>
Total governmental long-term liabilities \$	<u>6,245,873</u>	<u>\$ 5,015,426</u>	<u>\$ (3,978,643)</u>	<u>\$ 7,282,656</u>	<u>\$ 5,401,408</u>

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2010 were as follows:

Year	Governmental Activities					
	General Obligation Bonds		OPWC Loans	Accrued Pension Liability		
	Principal	Interest	Principal	Principal	Interest	
2011	\$ 115,000	\$ 32,240	\$ 31,579	\$ 6,513	\$ 11,510	
2012	130,000	25,110	31,579	6,793	11,230	
2013	135,000	17,050	31,579	7,084	10,938	
2014	140,000	8,680	31,579	7,389	10,634	
2015	-	-	31,579	7,706	10,317	
2016-2020	-	-	157,895	43,840	46,327	
2021-2025	-	-	104,283	54,036	36,077	
2026-2030	-	-	13,710	66,681	21,932	
2031-2035	-	-	-	72,492	7,848	
	<u>\$ 520,000</u>	<u>\$ 83,080</u>	<u>\$ 433,783</u>	<u>\$ 272,534</u>	<u>\$ 166,813</u>	

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 10: Long-Term Obligations (continued)

Year	Governmental Activities	
	Total	
	Principal	Interest
2011	\$ 153,092	\$ 43,750
2012	168,372	36,340
2013	173,663	27,988
2014	178,968	19,314
2015	39,285	10,317
2016-2020	201,735	46,327
2021-2025	158,319	36,077
2026-2030	80,391	21,932
2031-2035	72,492	7,848
	<u>\$ 1,226,317</u>	<u>\$ 249,893</u>

General obligation bonds are direct obligations of the City and will be paid from the General Bond retirement Fund using property tax revenues. In 1995, the City issued \$1,660,000 of bonds improving Purvis Park.

The Ohio Water Development Authority (OWDA) loans were paid from the Sewer Replacement "A" Fund. The Baintree loan was issued in 2000 for \$253,170. The sewer project loan was issued in 2004 for \$135,002. The Ohio Public Works Commission (OPWC) intercommunity sewer project will be paid from the Sewer Replacement "A" Fund. This loan was issued in 2001 for \$330,270 and an additional \$27,105 in 2002. The OPWC Meadowbrook Boulevard loan will be paid from the Issue II fund. This loan was issued in 2007 for \$274,200.

On May 5, 2010, the City issued various purpose General Obligation Bond Anticipation Notes of \$2,901,000 with an interest rate of 1.5 percent in anticipation of the issuance of bonds for the purpose of acquiring motorized equipment and for resurfacing streets and repairing curbs.

The accrued police pension liability will be paid from the Police Pension Fund. See Note 11 for detail on capital leases. The settlements/judgments will be paid from the Urban Redevelopment Fund. Compensated absences will be paid by the fund from which the employee's salary is paid.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 11: Capital Leases

The City has entered into lease agreements as lessee for various vehicles and building improvements. The lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at present value of the future minimum lease payments as of the inception date.

	<u>Governmental Activities</u>
Assets:	
Buildings and improvements	\$ 112,430
Vehicles	438,926
Less: accumulated depreciation	<u>(246,714)</u>
Total	<u>\$ 304,642</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments.

<u>Year</u>	<u>Governmental Activities</u>
2011	\$ 114,960
2012	65,921
2013	65,771
2014	40,988
2015	<u>20,564</u>
Total minimum lease payments	308,204
Less: Amount representing interest	<u>(24,804)</u>
Present value of minimum lease payments	<u>\$ 283,400</u>

Lease payments are made from the General Fund and Street Maintenance Fund. The lease payment amounts will be paid with current, available resources that have accumulated in the fund for payment early in the following year.

Note 12: Risk Management

A. Property and Liability

The City is exposed to various risk of loss related to torts, theft, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. In October 2008, the City joined the Northern Ohio Risk Management Agency (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability and vehicle insurance and providing for a formalized, jointly administered self insurance fund. The City pays an annual premium to NORMA for its insurance coverage. The agreement of formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the limits described in the agreement. This coverage is paid from the General Fund. There has not been a significant reduction in coverage from the prior year and claims have not exceeded coverage provided by NORMA.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 12: Risk Management

B. Worker's Compensation

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

C. Other

The City also purchases insurance coverage to provide employee health benefits and pays unemployment claims to the State of Ohio as incurred. The City continues to carry commercial insurance for other risks of loss, including employees health and life insurance. Settled claims resulting from these risks, have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13: Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service and standard work week. All full-time employees may carry over 40 vacation hours for use during the first three months of the following year. City employees are paid for earned, unused vacation leave at the time of termination of employment if the employees have acquired at least one year of service to the City.

Sick leave is earned at the rate of 10 hours to 14 hours for each month worked. The total amount of accumulated sick leave shall not exceed 960 hours to 1,344 hours, depending upon the employment contract. Each employee upon retirement, with fifteen years of employment, is paid a portion of the employee's earned unused sick leave balances.

Note 14: Contingencies/Pending Litigation

A. Grants

The City has received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2010.

B. Litigation

Several claims and lawsuits are pending against the City. The amount of liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material effect on the overall financial position of the City at December 31, 2010.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 14: Contingencies/Pending Litigation

C. Settlements

In 2010, in connection with the University Square Parking Garage in University Heights, it was discovered that the City had failed to make certain payments in lieu of taxes (PILOTS) to the Trustee. As a result, the parties to the TIF agreement agreed to permit the City to make the missed payments in 2011. This liability has been recorded on the government-wide financial statements and will be paid from the Urban Redevelopment Fund.

Note 15: Interfund Transactions

A. Interfund Balances

Interfund receivables and payables for the year ended December 31, 2010 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$ <u>54,943</u>

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2010, consisted of the following:

	<u>Transfer from</u>			<u>Total</u>
	<u>General Fund</u>	<u>Sewer Maintenance "A"</u>	<u>Other Governmental Funds</u>	
Transfer to:				
General Bond Retirement	\$ -	\$ 308,000	\$ 2,368,000	\$ 2,676,000
Other Governmental Funds	943,949	-	-	943,949
	<u>\$ 943,949</u>	<u>\$ 308,000</u>	<u>\$ 2,368,000</u>	<u>\$ 3,619,949</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The City had no transfers that either do not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer.

City of University Heights, Ohio

Notes to the Basic Financial Statements (continued)

For the Year Ended December 31, 2010

Note 16: Accountability

There are deficits in the Street Lighting Fund, Community Development Block Grant Fund, Police Pension Fund and Fire Pension Fund of \$16,636, \$19,959, \$130,429 and \$149,592, respectively, caused by the application of generally accepted accounting principles to these funds. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Note 17: Shared Risk Pool

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the Cities of Bedford Heights, Chagrin Falls, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid and University Heights. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of one representative from each of the participating members.

Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of the Cities of Eastlake and Solon whose commencement date is October 1, 1989, and the City of Maple Heights, whose commencement date is October 1, 1993 and the City of University Heights whose commencement date is October 1, 2008. After the initial three years, each City may extend its term in three-year increments.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$97,500 per occurrence, will come from the self-insurance pool with any excess paid from the stop-loss coverage carried by the pool. Any loss over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

Note 18: Subsequent Event

On May 3, 2011, the City issued \$2,716,000 in bond anticipation notes for the various purposes. The notes mature in May, 2012 and have an interest rate of 1.25%.



Dave Yost • Auditor of State

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

City of University Heights
Cuyahoga County
2300 Warrensville Center Road
University Heights, Ohio 44118

To the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of University Heights, Cuyahoga County, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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 City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the City'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 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 21, 2011.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

September 21, 2011

**CITY OF UNIVERSITY HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2010-001

Material Noncompliance Citation

Proper Encumbrance of Funds

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

"Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During our testing of non-payroll expenditures, we noted 10 out of 40 expenditures tested (or \$20,171 out of \$100,208) were not properly encumbered. We also noted that the City does not issue purchase orders for utilities expenditures.

**CITY OF UNIVERSITY HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010
(Continued)**

**FINDING NUMBER 2010-001
(Continued)**

Proper Encumbrance of Funds (Continued)

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, we recommend that the Financer Director utilize the encumbrance method of accounting and certify that the funds are or will be available prior to obligation by the City. When prior certification is not possible, "then and now" certification should be used.

We recommend the City certify the availability of funds prior to entering into any expenditure commitment.

Official's Response:

The City of University Heights will continue to maintain Blanket Certificates (Purchase Orders) and will begin issuing Super Blanket Certificates (Purchase Orders) beginning fourth (4th) quarter 2011 for all utilities with each specific vendor having their own certificate issued.

A written policy will also be created and distributed to all directors reiterating a verbal policy that all purchases need to have prior approval by the Mayor and Finance Director, and in cases of all emergency purchases the "Then and Now" Certificate will be used in accordance with the ORC.

**CITY OF UNIVERSITY HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Performing Timely Bank Reconciliations and Separation of Duties over the Deposit Process	No	Partially Corrected – Repeated as a matter reported to the City's management in a separate letter.
2009-002	Payroll Procedures	Yes	
2009-003	Completion of Finance Director Time Sheets for Additional Work	Yes	
2009-004	Proper Approval of Journal Entries	Yes	
2009-005	ORC 5705.5.41(b) Expenditures Exceeding Appropriations	Yes	

This Page is Intentionally Left Blank.



Dave Yost • Auditor of State

CITY OF UNIVERSITY 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
OCTOBER 18, 2011