



Dave Yost • Auditor of State

VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Cuyahoga Heights, Cuyahoga County, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Cuyahoga Heights, Cuyahoga County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2016

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$326,494	\$57,296	\$0	\$0	\$383,790
Municipal Income Tax	9,345,664	0	0	0	9,345,664
Intergovernmental	63,778	106,171	0	184,489	354,438
Charges for Services	472,563	0	0	0	472,563
Fines, Licenses and Permits	125,465	4,155	0	308,077	437,697
Earnings on Investments	10,531	2,377	0	5,799	18,707
Miscellaneous	94,049	0	0	0	94,049
<i>Total Cash Receipts</i>	<u>10,438,544</u>	<u>169,999</u>	<u>0</u>	<u>498,365</u>	<u>11,106,908</u>
Cash Disbursements					
Current:					
Security of Persons and Property	4,049,264	522,057	0	0	4,571,321
Public Health Services	23,389	0	0	0	23,389
Leisure Time Activities	279,872	0	0	0	279,872
Community Environment	117,130	0	0	0	117,130
Basic Utility Services	49,973	107,467	0	0	157,440
Transportation	12,336	231,257	0	0	243,593
General Government	4,885,188	0	0	0	4,885,188
Capital Outlay	375,399	87,320	0	511,287	974,006
Debt Service:					
Principal Retirement	0	0	4,185,000	0	4,185,000
Interest and Fiscal Charges	0	0	41,734	0	41,734
<i>Total Cash Disbursements</i>	<u>9,792,551</u>	<u>948,101</u>	<u>4,226,734</u>	<u>511,287</u>	<u>15,478,673</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>645,993</u>	<u>(778,102)</u>	<u>(4,226,734)</u>	<u>(12,922)</u>	<u>(4,371,765)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes	0	0	3,985,000	0	3,985,000
Sale of Capital Assets	8,579	0	0	0	8,579
Transfers In	0	250,000	280,000	25,000	555,000
Transfers Out	(555,000)	0	0	0	(555,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(546,421)</u>	<u>250,000</u>	<u>4,265,000</u>	<u>25,000</u>	<u>3,993,579</u>
<i>Net Change in Fund Cash Balances</i>	99,572	(528,102)	38,266	12,078	(378,186)
<i>Fund Cash Balances, January 1</i>	<u>1,464,710</u>	<u>782,326</u>	<u>11,106</u>	<u>1,040,321</u>	<u>3,298,463</u>
Fund Cash Balances, December 31					
Restricted	0	262,584	49,372	1,052,398	1,364,354
Assigned	33,795	0	0	0	33,795
Unassigned (Deficit)	1,530,487	(8,360)	0	1	1,522,128
<i>Fund Cash Balances, December 31</i>	<u>\$1,564,282</u>	<u>\$254,224</u>	<u>\$49,372</u>	<u>\$1,052,399</u>	<u>\$2,920,277</u>

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

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Fiduciary Fund Types</u>
	<u>Agency</u>
Operating Cash Receipts	
Fines, Licenses and Permits	\$81,503
Miscellaneous	12,265
	<u>93,768</u>
<i>Total Operating Cash Receipts</i>	<i>93,768</i>
Operating Cash Disbursements	
Distribution of Fines	90,209
	<u>90,209</u>
<i>Total Operating Cash Disbursements</i>	<i>90,209</i>
<i>Operating Income (Loss)</i>	<u>3,559</u>
<i>Net Change in Fund Cash Balances</i>	<i>3,559</i>
<i>Fund Cash Balances, January 1</i>	<u>53,664</u>
<i>Fund Cash Balances, December 31</i>	<u>\$57,223</u>

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

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$325,556	\$61,628	\$0	\$0	\$387,184
Municipal Income Tax	8,517,898	0	0	0	8,517,898
Intergovernmental	71,732	109,576	0	404,958	586,266
Charges for Services	519,685	0	0	0	519,685
Fines, Licenses and Permits	150,907	5,160	0	328,512	484,579
Earnings on Investments	3,748	881	0	1,890	6,519
Miscellaneous	146,435	300	0	0	146,735
<i>Total Cash Receipts</i>	<u>9,735,961</u>	<u>177,545</u>	<u>0</u>	<u>735,360</u>	<u>10,648,866</u>
Cash Disbursements					
Current:					
Security of Persons and Property	4,169,226	561,683	0	0	4,730,909
Public Health Services	23,334	0	0	0	23,334
Leisure Time Activities	250,910	0	0	0	250,910
Community Environment	84,010	0	0	0	84,010
Basic Utility Services	48,891	96,514	0	0	145,405
Transportation	1,390	90,849	0	0	92,239
General Government	4,045,296	0	0	0	4,045,296
Capital Outlay	593,254	269,907	0	1,213,715	2,076,876
Debt Service:					
Principal Retirement	0	0	4,390,000	0	4,390,000
Interest and Fiscal Charges	0	0	43,778	0	43,778
<i>Total Cash Disbursements</i>	<u>9,216,311</u>	<u>1,018,953</u>	<u>4,433,778</u>	<u>1,213,715</u>	<u>15,882,757</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>519,650</u>	<u>(841,408)</u>	<u>(4,433,778)</u>	<u>(478,355)</u>	<u>(5,233,891)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes	0	0	4,185,000	0	4,185,000
Premium on Debt Issuance	0	0	5,000	0	5,000
Sale of Capital Assets	3,182	0	0	0	3,182
Transfers In	0	756,093	280,000	157,293	1,193,386
Transfers Out	(1,176,093)	0	0	(17,293)	(1,193,386)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,172,911)</u>	<u>756,093</u>	<u>4,470,000</u>	<u>140,000</u>	<u>4,193,182</u>
<i>Net Change in Fund Cash Balances</i>	<u>(653,261)</u>	<u>(85,315)</u>	<u>36,222</u>	<u>(338,355)</u>	<u>(1,040,709)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,117,971</u>	<u>867,641</u>	<u>(25,116)</u>	<u>1,378,676</u>	<u>4,339,172</u>
Fund Cash Balances, December 31					
Restricted	0	782,326	6,106	711,808	1,500,240
Assigned	4,984	0	0	0	4,984
Unassigned (Deficit)	1,459,726	0	5,000	1	1,464,727
<i>Fund Cash Balances, December 31</i>	<u>\$1,464,710</u>	<u>\$782,326</u>	<u>\$11,106</u>	<u>\$1,040,321</u>	<u>\$3,298,463</u>

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

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Fiduciary Fund Types</u>
	<u>Agency</u>
Operating Cash Receipts	
Fines, Licenses and Permits	\$101,771
Miscellaneous	13,621
	<u>115,392</u>
<i>Total Operating Cash Receipts</i>	<i>115,392</i>
Operating Cash Disbursements	
Distribution of Funds	113,628
	<u>113,628</u>
<i>Total Operating Cash Disbursements</i>	<i>113,628</i>
<i>Operating Income (Loss)</i>	<u>1,764</u>
<i>Net Change in Fund Cash Balances</i>	<i>1,764</i>
<i>Fund Cash Balances, January 1</i>	<u>51,900</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$53,664</u></u>

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

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village participates in a jointly governed organization and a public entity risk pool. Notes 8 and 9 to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pool:

The Ohio Plan Risk Management is a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). Additional information for this entity is presented in Note 8 to the financial statements.

Jointly Governed Organizations:

The Northeast Ohio Public Energy Council (NOPEC) is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. Additional information for this entity is presented in Note 9 to the financial statements.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Deposits and Investments (Continued)

The Village values U.S. Treasury Notes at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

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

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

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

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

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

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

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

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015	2014
Demand deposits	\$397,680	\$48,489
Certificates of deposit	2,247,785	\$1,995,950
Petty Cash	4,150	4,150
Total deposits	2,649,615	2,048,589
STAR Ohio	299,696	465,032
Fifth Third Money Market	28,189	261,686
PNC Money Market	0	66,574
Key Bank Money Market	0	510,246
Total investments	327,885	1,303,538
Total deposits and investments	\$2,977,500	\$3,352,127

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$10,607,204	\$10,447,123	(\$160,081)
Special Revenue	382,395	419,999	37,604
Debt Service	4,270,000	4,265,000	(5,000)
Capital Projects	797,900	523,365	(274,535)
Total	\$16,057,499	\$15,655,487	(\$402,012)

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$11,848,167	\$10,381,346	\$1,466,821
Special Revenue	1,252,159	1,029,438	222,721
Debt Service	4,281,106	4,226,734	54,372
Capital Projects	1,838,220	1,529,217	309,003
Total	<u>\$19,219,652</u>	<u>\$17,166,735</u>	<u>\$2,052,917</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$9,457,602	\$9,739,143	\$281,541
Special Revenue	926,447	933,638	7,191
Debt Service	4,470,000	4,470,000	0
Capital Projects	937,500	892,653	(44,847)
Total	<u>\$15,791,549</u>	<u>\$16,035,434</u>	<u>\$243,885</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$11,399,610	\$10,397,297	\$1,002,313
Special Revenue	1,804,725	1,096,322	708,403
Debt Service	4,450,000	4,433,778	16,222
Capital Projects	2,316,174	2,186,599	129,575
Total	<u>\$19,970,509</u>	<u>\$18,113,996</u>	<u>\$1,856,513</u>

4. PROPERTY TAX

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

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. LOCAL INCOME TAX (Continued)

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

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Various Purpose Notes, Series 2015	\$3,985,000	4.5%

Various Purpose Notes, Series 2015 were issued in anticipation of the issuance of bonds to pay the costs of constructing, renovating and furnishing various municipal facilities, and constructing and reconstructing various road and sidewalk improvements.

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For July to December 2015, OP&F participants contributed 12.25 percent of their wages. For July 2014 to June 2015, OP&F participants contributed 11.5 percent of their wages. For January to June 2014, OP&F participants contributed 10.75 percent of their wages. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5 percent of police members' wages and 24 percent of fire fighters' wages, respectively. For 2015 and 2014, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

8. RISK MANAGEMENT

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. RISK MANAGEMENT (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014 (the latest information available).

	2013	2014
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	\$5,805,909	\$5,887,681

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

9. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

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

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

9. NORTHEAST OHIO PUBLIC ENERGY COUNCIL (Continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting NOPEC at 31320 Solon Road, Suite 20, Solon, Ohio 44139.

10. TRANSFERS

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

11. COMPLIANCE

Contrary to Ohio Revised Code Section 5705.10, at December 31, 2015, the Police Pension Special Revenue Fund had a deficit fund balance of \$8,360.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Cuyahoga Heights, Cuyahoga County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2016, wherein we noted the Village followed financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2016



Dave Yost • Auditor of State

VILLAGE OF CUYAHOGA HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 27, 2016**