



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF CUYAHOGA HEIGHTS
 CUYAHOGA COUNTY
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 DECEMBER 31, 2021 AND 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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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 Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Cuyahoga Heights, Cuyahoga County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Keith Faber
Auditor of State
Columbus, Ohio

January 5, 2023

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Village of Cuyahoga Heights, Ohio

Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Governmental Fund Types

For the Year Ended December 31, 2021

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash receipts:					
Property and other local taxes	\$ 488,170	\$ 73,546	\$ -	\$ -	\$ 561,716
Municipal income tax	10,902,019	-	648,000	-	11,550,019
Intergovernmental	89,038	208,448	-	1,395,176	1,692,662
Charges for services	95,868	-	-	-	95,868
Fines, licenses, and permits	335,673	2,750	-	-	338,423
Earnings (loss) on investments	(3,483)	(786)	-	(1,918)	(6,187)
Miscellaneous	136,750	2,202	-	-	138,952
Total cash receipts	<u>12,044,035</u>	<u>286,160</u>	<u>648,000</u>	<u>1,393,258</u>	<u>14,371,453</u>
Cash disbursements:					
Current:					
Security of persons and property	4,743,703	577,155	-	-	5,320,858
Public health services	22,793	226,488	-	-	249,281
Leisure time activities	266,028	-	-	-	266,028
Community environment	104,346	-	-	-	104,346
Basic utility services	187,302	-	-	-	187,302
Transportation	43,878	100,363	-	-	144,241
General government	3,087,632	4,097	-	-	3,091,729
Capital outlay	420,363	65,600	-	798,594	1,284,557
Debt service:					
Principal retirement	-	-	268,464	-	268,464
Interest and fiscal charges	-	-	369,050	-	369,050
Total cash disbursements	<u>8,876,045</u>	<u>973,703</u>	<u>637,514</u>	<u>798,594</u>	<u>11,285,856</u>
Excess of receipts over (under) disbursements	3,167,990	(687,543)	10,486	594,664	3,085,597
Other financing receipts (disbursements):					
Sale of capital assets	5,033	-	-	-	5,033
Transfers in	-	840,000	-	1,200,000	2,040,000
Transfers out	(2,040,000)	-	-	-	(2,040,000)
Total other financing receipts (disbursements)	<u>(2,034,967)</u>	<u>840,000</u>	<u>-</u>	<u>1,200,000</u>	<u>5,033</u>
Net change in fund cash balances	1,133,023	152,457	10,486	1,794,664	3,090,630
Fund cash balances, January 1	<u>2,975,051</u>	<u>1,075,976</u>	<u>79,528</u>	<u>2,888,295</u>	<u>7,018,850</u>
Fund cash balances, December 31	<u>\$ 4,108,074</u>	<u>\$ 1,228,433</u>	<u>\$ 90,014</u>	<u>\$ 4,682,959</u>	<u>\$ 10,109,480</u>

The accompanying notes are an integral part of these financial statements

Village of Cuyahoga Heights, Ohio

Combined Statement of Additions, Deductions and Change in Fund Balances (Regulatory Cash Basis) Fiduciary Fund Type

For the Year Ended December 31, 2021

	<u>Fiduciary Fund Type</u>
	<u>Custodial</u>
Additions:	
Fines, licenses and permits for distribution	\$ 54,894
Deposits received	9,400
Total additions	<u>64,294</u>
Deductions:	
Distributions of deposits	11,000
Distributions to other governments	59,947
Total deductions	<u>70,947</u>
Net change in fund cash balances	(6,653)
Fund cash balances, January 1	<u>27,685</u>
Fund cash balances, December 31	\$ <u><u>21,032</u></u>

The accompanying notes are an integral part of these financial statements

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2021

Note 1: Reporting Entity

The Village of Cuyahoga Heights, Cuyahoga County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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, Mayor's Court and general government services.

Jointly Governed Organization, Public Entity Risk Pool and Related Organization

The Village participates in jointly governed organizations and a related organization. The jointly governed organizations are the Northeast Ohio Public Energy Council (NOPEC), the Regional Income Tax Agency (RITA), and the Chagrin Valley Dispatch Council (CVD), while the Cuyahoga Heights Community Improvement Corporation is a related organization. Note 11 and 13 to the financial statements provides additional information for these entities. The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of additions, deductions and changes in fund balances (regulatory cash basis) for its fiduciary fund type which are organized on a fund type basis.

Fund Accounting

The Village 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. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Police Pension Fund The police pension fund accounts for and reports money from local taxes as well as transfers from the general fund and is restricted for the purpose of police pension.

Firemans Pension Fund The firemans pension fund accounts for and reports money from local taxes as well as transfers from the general fund and is restricted for the purpose of firemans pension.

Debt Service Fund This fund accounts for and reports financial resources that are restricted to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

General Note Retirement Fund The general note retirement fund accounts for and reports on the issuance and sale of general obligation bond anticipation notes.

Capital Project Funds This fund accounts for and reports financial resources that are restricted 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:

Capital Projects The capital projects fund accounts for and reports the receipt of transfers from the general fund. The proceeds are being used to fund various Village capital improvement projects.

Fiduciary Funds Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial funds account for rental reimbursements, mayors court receipts, and building standard fees.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the statement of additions, deductions and changes in fund balances (regulatory cash basis) fiduciary fund type. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

Basis of Accounting

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 disbursements when a commitment is made (i.e., when an encumbrance is approved).

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

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.

Budgetary Process

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

Appropriations Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

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.

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 2021 budgetary activity appears in Note 3.

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.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. The Village values certificates of deposit at fair market value.

Capital Assets

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

Accumulated Leave

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

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2021

Note 2: Summary of Significant Accounting Policies (continued)

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:

Nonspendable The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

Committed Council can commit amounts via formal action (resolution). The Village must adhere to these commitments unless 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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year-end.

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 disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2021

Note 3: Budgetary Activity

Budgetary activity for the year ended December 31, 2021 follows:

<u>Fund Type</u>	<u>2021 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 11,776,117	\$ 12,049,068	\$ 272,951
Special Revenue	1,121,454	1,126,160	4,706
Debt Service	660,000	648,000	(12,000)
Capital Projects	2,707,000	2,593,258	(113,742)
Fiduciary	13,800	13,906	106
Total	<u>\$ 16,278,371</u>	<u>\$ 16,430,392</u>	<u>\$ (152,021)</u>

<u>Fund Type</u>	<u>2021 Budgeted vs. Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 13,727,942	\$ 11,903,928	\$ 1,824,014
Special Revenue	1,365,386	1,128,537	236,849
Debt Service	665,800	637,514	28,286
Capital Projects	3,820,078	3,297,420	522,658
Fiduciary	27,500	18,660	8,840
Total	<u>\$ 19,606,706</u>	<u>\$ 16,986,059</u>	<u>\$ 2,620,647</u>

Note 4: Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The Village also has a segregated account which is not part of this pool. A summary of the Village's deposit and investment accounts are as follows:

	<u>2021</u>
Cash management pool:	
Demand deposits	\$ <u>1,525,725</u>
Total deposits	<u>1,525,725</u>
STAR Ohio	6,723,998
Money market	138,671
Certificates of deposit	<u>1,742,118</u>
Total investments	<u>8,604,787</u>
Total deposits and investments	<u>\$ 10,130,512</u>
Segregated accounts – not held in the pool:	
Payroll account	\$ <u>25,937</u>

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2021

Note 4: Deposits and Investments (continued)

The Village has a payroll clearing account that is held outside of the deposit pool where gross payroll is held for distribution. The expenditures included in the accompanying financial statement reflect gross payroll.

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or; collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2021, \$386,469 of deposits, including segregated accounts, were not insured or collateralized. One of the Village's financial institution participates in OPCS and was approved for a reduced collateral floor of 50% resulting in the uninsured and uncollateralized balance.

Investments

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

Note 5: Taxes

Property Taxes

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.

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

Local Income Tax

The Village levies a municipal income tax of 2.5% 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. In the latter case, the Village allows a credit of 100% of the tax paid to another municipality up to a maximum of 2.5% of the taxes paid.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2021

Note 5: Taxes (continued)

Local Income Tax (continued)

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Authority 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.

Note 6: Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM), (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 coverage to its members sold through 14 appointed independent agents in the State of Ohio.

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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM’s property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM’s property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020. The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020 (the latest information available).

	<u>2020</u>
Assets	\$ 18,826,974
Liabilities	<u>(13,530,267)</u>
Members’ Equity	\$ <u>5,296,707</u>

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

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2021

Note 7: Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most of the Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Ohio Police and Fire Pension Fund

The Village's fire fighters and full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% percent of police members' wages and 24% of fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2021.

Social Security

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Note 8: Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0% during calendar year 2021. OP&F contributes 0.5% to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2021

Note 9: Debt

Debt outstanding at December 31, 2021 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC # CA08P Harvard Ave Repair*	\$ 185,600	0.0%
OPWC # CT05V Canal Road Reconstruction*	700,000	0.0%
OPWC # CT06T Nicky Blvd/Slope Stabilization*	495,216	0.0%
Various Purpose Bonds Series 2019	<u>8,505,000</u>	3.0% – 5.0%
Total	<u>\$ 9,885,816</u>	

*Long-term obligation is a direct placement.

In 2017, the Village received a loan from OPWC for the amount of \$232,000 at 0% interest for the purpose of the Harvard Avenue Repair and Resurfacing project. Repayment of the loan commences in January 2019 and will be paid back in full by January 2038.

In 2019, the Village received a loan from OPWC for the amount of \$700,000 at 0% interest for the purpose of the Canal Road Pavement Reconstruction project. Repayment of the loan commences is estimated to begin in July 2022 and will be paid back in full by January 2042.

In 2019, the Village received a loan from OPWC for the amount of \$521,280 at 0% interest for the purpose of the Nicky Boulevard Storm Sewer Extension & Slope Stabilization project. Repayment of the loan commenced in July 2021 and will be paid back in full by January 2041.

The Village has pledged future receipts to repay the Ohio Public Works Commission (OPWC) loans in the Village governmental funds.

The Village's outstanding OPWC loans from direct borrowings contain provisions that in the event of default (1) OPWC may apply late fees of 8% per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the Village's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

In 2019, the Village issued bonds in the amount of \$9,585,000, with interest rates ranging from 3% to 5%, to pay the costs of constructing, renovating and furnishing various municipal facilities, and constructing and reconstructing various road and sidewalk improvements as well as to retire bond anticipation notes issued during 2019. The bond is collateralized by municipal income tax revenue.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2021

Note 9: Debt (continued)

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31	Total OPWC*	Various Purpose Bond
2022	\$ 36,332	\$ 595,050
2023	72,664	595,650
2024	72,664	590,850
2025	72,664	590,850
2026	72,664	590,450
2027-2031	363,320	2,968,250
2032-2036	363,320	2,963,313
2037-2041	309,688	2,963,844
2042-2044	17,500	1,773,750
Total	\$ <u>1,380,816</u>	\$ <u>13,632,007</u>

*Long-term obligation is a direct placement.

Leases

The Village entered into a lease for police cruisers under non-cancelable leases during 2021. The Village disbursed \$687 to pay origin lease costs for the year ended December 31, 2021. The lease requires 16 quarterly lease payments of \$13,868, with the first due in March 2022.

The following is a schedule of the future minimum lease payments, including interest, required under the leases:

<u>Year</u>	<u>Leases</u>
2022	\$ 55,470
2023	55,470
2024	55,470
2025	55,470
Total	\$ <u>221,880</u>

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2021

Note 10: Contingent Liabilities

The Village is at times party to legal proceedings. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11: Jointly Governed Organizations

Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council. NOPEC is a regional council of governments formed under Chapter 167 of the ORC. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of members in over 240 communities in 20 counties who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each community then elect one person to serve on the 20-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. The Village did not contribute to NOPEC during 2021. Financial information can be obtained by contacting NOPEC, 31360 Solon Road #33, Solon, Ohio 44139.

Regional Income Tax Agency

The Regional Income Tax Agency is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection of income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member Board of Trustees (the "Board") elected by the members of the council of governments. The Board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2021

Note 11: Jointly Governed Organizations (continued)

Chagrin Valley Dispatch Council

The Village is a member of the Chagrin Valley Dispatch Council (CVD). CVD is a regional council of governments formed under Chapter 167 of the ORC. It was formed to promote cooperative arrangements and coordinate action among its members in matters relating to the dispatch of public safety services and the operation of the Chagrin Valley Regional Communications Center (RCC). Participation in CVD was initially limited to political subdivisions located within the Chagrin Valley that are currently receiving public dispatch services from the Village. It is currently comprised of 26 communities. It is authorized to perform all functions necessary to improve, maintain and operate the RCC including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept and raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the ORC. Participating political subdivisions appoint one representative to CVD. Each member of CVD is entitled to one vote on each item under consideration by the board. During 2021, the Village contributed \$206,315 to the CVD.

Note 12: Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

At year-end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Nonspendable	\$ 13,397	\$ -	\$ -	\$ -	\$ 13,397
Restricted	-	1,228,433	90,014	4,682,959	6,001,406
Assigned:					
Outstanding encumbrances	987,833	-	-	-	987,833
Unassigned	<u>3,106,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,106,844</u>
<i>Total</i>	\$ <u>4,108,074</u>	\$ <u>1,228,433</u>	\$ <u>90,014</u>	\$ <u>4,682,959</u>	\$ <u>10,109,480</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of the debt service fund and capital projects fund are restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue, debt service, and capital projects would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2021

Note 13: Related Organization

In 1982, the Village formed the Cuyahoga Heights Community Improvement Corporation (the "Corporation") under Chapter 1724 of the Ohio Revised Code. The Corporation was formed and designated by the Village as its agent for industrial, commercial, distribution and research development in the Village, but was largely inactive until 2005. The primary funding for the Corporation is supplied by the Village, and in the event the Corporation ceases to operate, all remaining funds and assets are transferred to the Village. Additionally, no less than two-fifths of the governing board of the Corporation shall be comprised of appointed or elected officers of the Village or other political subdivision designating the Corporation as its agency.

The Village transferred \$147,075 to the Corporation during 2021, to help cover the costs of operating expenses.

Note 14: Change in Accounting Principle

Newly Adopted Accounting Pronouncements

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued in June 2018, establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period by simplifying accounting for interest cost incurred before the end of a construction period. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2020. There was no impact on the Village's financial statements and disclosures.

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2021. The Village has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

Note 15: Construction and Contractual Commitments

The Village has the following outstanding contractual commitments for various construction projects at December 31, 2021:

<u>Project</u>	<u>Contract and Contingency</u>	<u>Amount Paid</u>	<u>Amount Remaining</u>
Nicky Blvd. Phase I	\$ 4,045,826	\$ 2,520,983	\$ 1,524,843
Nicky Blvd. Phase II	767,433	656,461	110,972
Service Department Roof	591,722	319,018	272,704
East 71 st Street Stabilization	583,238	201,022	382,216

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2021

Note 16: COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

During 2021, the Village received \$31,792 as an on-behalf of grant from another government. These amounts are recorded in the American Rescue Plan Act Special Revenue Fund.

Village of Cuyahoga Heights, Ohio

Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Governmental Fund Types

For the Year Ended December 31, 2020

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash receipts:					
Property and other local taxes	\$ 478,606	\$ 72,573	\$ -	\$ -	\$ 551,179
Municipal income tax	9,683,009	-	648,000	201,436	10,532,445
Intergovernmental	99,662	166,533	-	-	266,195
Charges for services	67,336	-	-	-	67,336
Fines, licenses, and permits	140,591	2,740	-	-	143,331
Earnings on investment	58,380	13,171	-	32,145	103,696
Miscellaneous	449,171	-	-	-	449,171
Total cash receipts	<u>10,976,755</u>	<u>255,017</u>	<u>648,000</u>	<u>233,581</u>	<u>12,113,353</u>
Cash disbursements:					
Current:					
Security of persons and property	5,081,777	568,956	-	-	5,650,733
Public health services	18,376	261,851	-	-	280,227
Leisure time activities	173,125	-	-	-	173,125
Community environment	67,156	-	-	-	67,156
Basic utility services	159,854	-	-	-	159,854
Transportation	134,742	16,515	-	-	151,257
General government	3,778,449	106	-	-	3,778,555
Capital outlay	424,174	58,940	-	3,618,430	4,101,544
Debt service:					
Principal retirement	-	-	220,800	-	220,800
Interest and fiscal charges	-	-	377,650	-	377,650
Total cash disbursements	<u>9,837,653</u>	<u>906,368</u>	<u>598,450</u>	<u>3,618,430</u>	<u>14,960,901</u>
Excess of receipts over (under) disbursements	1,139,102	(651,351)	49,550	(3,384,849)	(2,847,548)
Other financing receipts (disbursements):					
Sale of capital assets	13,216	-	-	-	13,216
Loan proceeds	-	-	-	368,973	368,973
Transfers in	-	815,000	-	-	815,000
Transfers out	(815,000)	-	-	-	(815,000)
Total other financing receipts (disbursements)	<u>(801,784)</u>	<u>815,000</u>	<u>-</u>	<u>368,973</u>	<u>382,189</u>
Net change in fund cash balances	337,318	163,649	49,550	(3,015,876)	(2,465,359)
Fund cash balances, January 1, restated	<u>2,637,733</u>	<u>912,327</u>	<u>29,978</u>	<u>5,904,171</u>	<u>9,484,209</u>
Fund cash balances, December 31	<u>\$ 2,975,051</u>	<u>\$ 1,075,976</u>	<u>\$ 79,528</u>	<u>\$ 2,888,295</u>	<u>\$ 7,018,850</u>

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

Village of Cuyahoga Heights, Ohio

Statement of Additions, Deductions and Change in Fund Balances

(Regulatory Cash Basis)

Fiduciary Fund Type

For the Year Ended December 31, 2020

	Fiduciary Fund Type
	<u>Custodial</u>
Additions:	
Fines, licenses and permits for distribution	\$ 48,926
Deposits received	10,775
Total additions	<u>59,701</u>
Deductions:	
Distributions of deposits	12,100
Distributions to other governments	47,087
Total deductions	<u>59,187</u>
Net change in fund cash balances	514
Fund cash balances, January 1, restated	<u>27,171</u>
Fund cash balances, December 31	\$ <u><u>27,685</u></u>

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

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2020

Note 1: Reporting Entity

The Village of Cuyahoga Heights, Cuyahoga County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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, Mayor's Court and general government services.

Jointly Governed Organization, Public Entity Risk Pool and Related Organization

The Village participates in jointly governed organizations and a related organization. The jointly governed organizations are the Northeast Ohio Public Energy Council (NOPEC), the Regional Income Tax Agency (RITA), and the Chagrin Valley Dispatch Council (CVD), while the Cuyahoga Heights Community Improvement Corporation is a related organization. Note 11 and 13 to the financial statements provides additional information for these entities. The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of additions, deductions and changes in fund balances (regulatory cash basis) its fiduciary fund type which are organized on a fund type basis.

Fund Accounting

The Village 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. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2020

Note 2: Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Police Pension Fund The police pension fund accounts for and reports money from local taxes as well as transfers from the general fund and is restricted for the purpose of police pension.

Firemans Pension Fund The firemans pension fund accounts for and reports money from local taxes as well as transfers from the general fund and is restricted for the purpose of firemans pension

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

General Note Retirement Fund The general note retirement fund accounts for and reports on the issuance and sale of general obligation bond anticipation notes.

Capital Project Funds These funds account for and report financial resources that are restricted 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:

Capital Projects The capital projects fund accounts for and reports the receipt of municipal income tax proceeds and transfers from the general fund. The proceeds are being used to fund various Village capital improvement projects.

Fiduciary Funds Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial funds account for rental reimbursements, mayors court receipts, and building standard fees.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the statement of additions, deductions and changes in fund balances (regulatory cash basis) fiduciary fund type. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

Basis of Accounting

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 disbursements when a commitment is made (i.e., when an encumbrance is approved).

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2020

Note 2: Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

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.

Budgetary Process

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

Appropriations Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

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.

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 2020 budgetary activity appears in Note 3.

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.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. The Village values certificate of deposits and at fair market value.

Capital Assets

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

Accumulated Leave

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

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2020

Note 2: Summary of Significant Accounting Policies (continued)

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:

Nonspendable The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

Committed Council can commit amounts via formal action (resolution). The Village must adhere to these commitments unless 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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year-end.

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 disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2020

Note 3: Budgetary Activity

Budgetary activity for the year ended December 31, 2020 follows:

<u>Fund Type</u>	<u>2020 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 11,512,948	\$ 10,989,971	\$ (522,977)
Special Revenue	1,075,493	1,070,017	(5,476)
Debt Service	648,000	648,000	-
Capital Projects	2,316,480	602,554	(1,713,926)
Fiduciary	29,800	12,456	(17,344)
Total	\$ <u>15,582,721</u>	\$ <u>13,322,998</u>	\$ <u>(2,259,723)</u>

<u>Fund Type</u>	<u>2020 Budgeted vs. Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 12,343,640	\$ 10,955,390	\$ 1,388,250
Special Revenue	1,382,466	989,454	393,012
Debt Service	602,650	604,250	(1,600)
Capital Projects	7,263,942	5,592,508	1,671,434
Fiduciary	39,100	14,118	24,982
Total	\$ <u>21,631,798</u>	\$ <u>18,155,720</u>	\$ <u>3,476,078</u>

Note 4: Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The Village also has a segregated account which is not part of this pool. A summary of the Village's deposit and investment accounts are as follows:

	<u>2020</u>
Cash management pool:	
Demand deposits	\$ <u>811,930</u>
Total deposits	<u>811,930</u>
STAR Ohio	4,343,499
Money market	623,130
Certificates of deposit	<u>1,267,976</u>
Total investments	<u>6,234,605</u>
Total deposits and investments	\$ <u>7,046,535</u>
Segregated accounts – not held in the pool:	
Payroll account	\$ <u>25,266</u>

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2020

Note 4: Deposits and Investments (continued)

The Village has a payroll clearing account that is held outside of the deposit pool where gross payroll is held for distribution. The expenditures included in the accompanying financial statement reflect gross payroll.

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or; collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2020, \$193,224 of deposits, including segregated accounts, were not insured or collateralized. One of the Village's financial institution participates in OPCS and was approved for a reduced collateral floor of 50% resulting in the uninsured and uncollateralized balance.

Investments

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

Note 5: Taxes

Property Taxes

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.

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

Local Income Tax

The Village levies a municipal income tax of 2.5% 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. In the latter case, the Village allows a credit of 100% of the tax paid to another municipality up to a maximum of 2.5% of the taxes paid.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2020

Note 5: Taxes (continued)

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.

Note 6: Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM), (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 coverage to its members sold through 14 appointed independent agents in the State of Ohio.

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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM’s property retention remained unchanged, however the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 776 members as of December 31, 2019.

Effective November 1, 2019, the OPRM’s property retention increased from 30% to 33% while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019 (the latest information available).

	<u>2019</u>
Assets	\$ 15,920,504
Liabilities	<u>(11,329,011)</u>
Members’ Equity	<u>\$ 4,591,493</u>

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

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2020

Note 7: Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most of the Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Ohio Police and Fire Pension Fund

The Village's fire fighters and full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% percent of police members' wages and 24% of fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2020.

Social Security

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Note 8: Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2020, and OP&F contributed 0.5% to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2020

Note 9: Debt

Debt outstanding at December 31, 2020 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC # CA08P Harvard Ave Repair*	\$ 203,000	0.0%
OPWC # CT05V Canal Road Reconstruction*	700,000	0.0%
OPWC # CT06T Nicky Blvd/Slope Stabilization*	521,280	0.0%
Various Purpose Bonds Series 2019	<u>8,730,000</u>	3.0% – 5.0%
Total	<u>\$ 10,154,280</u>	

*Long-term obligation is a direct placement.

In 2017, the Village received a loan from OPWC for the amount of \$232,000 at 0% interest for the purpose of the Harvard Avenue Repair and Resurfacing project. Repayment of the loan commences in January 2019 and will be paid back in full by July 2037.

In 2019, the Village received a loan from OPWC for the amount of \$700,000 at 0% interest for the purpose of the Canal Road Pavement Reconstruction project. Repayment of the loan commences is estimated to be in July 2021 and will be paid back in full by January 2031.

In 2019, the Village received a loan from OPWC for the amount of \$521,280 at 0% interest for the purpose of the Nicky Boulevard Storm Sewer Extension & Slope Stabilization project. Repayment of the loan is estimated to be in July 2021 and will be paid back in full by January 2031.

The Village has pledged future receipts to repay the Ohio Public Works Commission (OPWC) loans in the Village governmental funds.

The Village's outstanding OPWC loans from direct borrowings contain provisions that in the event of default (1) OPWC may apply late fees of 8% per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the Village's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

During 2020, as a response to COVID-19, OPWC made the decision to defer the July 2020 loan payment for six months. The amortization schedules were adjusted to push back all payments six months. Borrowers have the option to make a double-payment in January 2021 or use the modified amortization schedule. The Village has chosen to use the modified amortization schedule.

In 2019, the Village issued bonds in the amount of \$9,585,000 at 5% to pay the costs of constructing, renovating and furnishing various municipal facilities, and constructing and reconstructing various road and sidewalk improvements as well as to retire bond anticipation notes issued during 2019. The bond is collateralized by municipal income tax revenue.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2020

Note 9: Debt (continued)

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31	Total OPWC*	Various Purpose Bond
2021	\$ 72,664	\$ 594,050
2022	133,728	595,050
2023	133,728	595,650
2024	133,728	590,850
2025	133,728	590,850
2026-2030	668,640	2,964,050
2031-2035	119,064	2,963,650
2036-2040	29,000	2,963,157
2041-2044	-	2,368,750
Total	\$ <u>1,424,280</u>	\$ <u>14,226,057</u>

*Long-term obligation is a direct placement.

Note 10: Contingent Liabilities

The Village is at times party to legal proceedings. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11: Jointly Governed Organizations

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 ORC. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of members in 240 communities in 19 counties who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2020

Note 11: Jointly Governed Organizations (continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each community then elect one person to serve on the 16-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. The Village did not contribute to NOPEC during 2020. Financial information can be obtained by contacting NOPEC, 31360 Solon Road #33, Solon, Ohio 44139.

Regional Income Tax Agency

The Regional Income Tax Agency is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection of income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member Board of Trustees (the "Board") elected by the members of the council of governments. The Board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council.

Chagrin Valley Dispatch Council

The Village is a member of the Chagrin Valley Dispatch Council (CVD). CVD is a regional council of governments formed under Chapter 167 of the ORC. It was formed to promote cooperative arrangements and coordinate action among its members in matters relating to the dispatch of public safety services and the operation of the Chagrin Valley Regional Communications Center (RCC). Participation in CVD was initially limited to political subdivisions located within the Chagrin Valley that are currently receiving public dispatch services from the Village. It is currently comprised of 26 communities. It is authorized to perform all functions necessary to improve, maintain and operate the RCC including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept and raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the ORC. Participating political subdivisions appoint one representative to CVD. Each member of CVD is entitled to one vote on each item under consideration by the board. During 2021, the Village contributed \$236,418 to the CVD.

Note 12: Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2020

Note 12: Fund Balances (continued)

At year-end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Nonspendable	\$ 13,397	\$ -	\$ -	\$ -	\$ 13,397
Restricted	-	1,075,976	79,528	2,888,295	4,043,799
Assigned:					
Outstanding encumbrances	302,735	-	-	-	302,735
Unassigned	<u>2,658,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,658,919</u>
<i>Total</i>	\$ <u>2,975,051</u>	\$ <u>1,075,976</u>	\$ <u>79,528</u>	\$ <u>2,888,295</u>	\$ <u>7,018,850</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. These restricted, committed and assigned amounts in the special revenue, debt service, and capital projects would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13: Related Organization

In 1982, the Village formed the Cuyahoga Heights Community Improvement Corporation (the "Corporation") under Chapter 1724 of the Ohio Revised Code. The Corporation was formed and designated by the Village as its agent for industrial, commercial, distribution and research development in the Village, but was largely inactive until 2005. The primary funding for the Corporation is supplied by the Village, and in the event the Corporation ceases to operate, all remaining funds and assets are transferred to the Village. Additionally, no less than two-fifths of the governing board of the Corporation shall be comprised of appointed or elected officers of the Village or other political subdivision designating the Corporation as its agency.

The Village transferred \$252,719 to the Corporation during 2020, to help cover the costs of operating expenses.

Note 14: Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) – All Fiduciary Fund Types, and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

For the Year Ended December 31, 2020

Note 14: Change in Accounting Principles (continued)

The implementation of GASB Statement No. 84 had the following effect on beginning fund balances as reported as of December 31, 2019:

	General Fund	Special Revenue Funds
Fund balance at December 31, 2019	\$ 2,624,841	\$ 898,208
GASB 84 fund reclassification	<u>12,892</u>	<u>14,119</u>
Restated fund balance at December 31, 2019	\$ <u>2,637,733</u>	\$ <u>912,327</u>
		Custodial Funds
Fund balance at December 31, 2019		\$ 54,182
GASB 84 fund reclassification		<u>(27,011)</u>
Restated fund balance at December 31, 2019		\$ <u>27,171</u>

Note 15: Construction and Contractual Commitments

The Village has the following outstanding contractual commitments for various construction projects at December 31, 2020:

<u>Project</u>	Contract and <u>Contingency</u>	Amount <u>Paid</u>	Amount <u>Remaining</u>
Canal Rd. paving	\$ 3,053,954	\$ 3,049,898	\$ 4,056
Allega waterlines	270,571	77,775	192,796
Demo on E 71 st buildings	698,101	394,946	303,155
Nicky Blvd. sewer and slope stabilization	4,279,252	2,851,963	1,427,289

Note 16: COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received \$44,831 as an on-behalf of grant from another government. These amounts are recorded in the Coronavirus Relief Special Revenue Fund.

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OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards), the financial statements of the cash balances, receipts, and disbursements for each governmental and the fiduciary fund type combined total, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements of the Village of Cuyahoga Heights, Cuyahoga County, (the Village) and have issued our report thereon dated January 5, 2023, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code Section 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 5, 2023

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF CUYAHOGA HEIGHTS

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/19/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov