



**VLLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building  
615 W Superior Ave  
Floor 12  
Cleveland, OH 44113-1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Cuyahoga Heights, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Cuyahoga Heights, Cuyahoga County, Ohio, as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

October 11, 2002

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$7,100,525	\$113,014	\$0	\$7,213,539
Intergovernmental Receipts	199,605	104,707	0	304,312
Charges for Services	108,105	15,035	0	123,140
Fines, Licenses, and Permits	77,671	8,363	0	86,034
Earnings on Investments	559,573	0	0	559,573
Miscellaneous	47,740	939	0	48,679
	<u>8,093,219</u>	<u>242,058</u>	<u>0</u>	<u>8,335,277</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	4,130,888	690,074	0	4,820,962
Public Health Services	10,976	0	0	10,976
Leisure Time Activities	258,775	0	0	258,775
Community Environment	44,294	0	0	44,294
Basic Utility Services	67,555	57,690	0	125,245
Transportation	33,576	50,250	0	83,826
General Government	3,136,860	5,535	0	3,142,395
Capital Outlay	0	0	574,871	574,871
	<u>7,682,924</u>	<u>803,549</u>	<u>574,871</u>	<u>9,061,344</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>410,295</u>	<u>(561,491)</u>	<u>(574,871)</u>	<u>(726,067)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Sale of Fixed Assets	4,310	0	0	4,310
Transfers-In	0	545,000	0	545,000
Transfers-Out	(545,000)	0	0	(545,000)
Other Sources	166,944	0	0	166,944
	<u>(373,746)</u>	<u>545,000</u>	<u>0</u>	<u>171,254</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	36,549	(16,491)	(574,871)	(554,813)
Fund Cash Balances, January 1	6,384,477	869,169	7,051,638	14,305,284
<b>Fund Cash Balances, December 31</b>	<u><b>\$6,421,026</b></u>	<u><b>\$852,678</b></u>	<u><b>\$6,476,767</b></u>	<u><b>\$13,750,471</b></u>
Reserves for Encumbrances, December 31	<u>\$49,411</u>	<u>\$0</u>	<u>\$0</u>	<u>\$49,411</u>

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

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$214
Mayor's Court	99,183
	99,397
Total Operating Cash Receipts	99,397
<b>Operating Cash Disbursements:</b>	
Travel Transportation	45,931
Contractual Services	179
Mayor's Court	95,949
	142,059
Total Operating Cash Disbursements	142,059
Operating Income/(Loss)	(42,662)
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	51,094
	51,094
Total Non-Operating Cash Receipts	51,094
Net Receipts Over/(Under) Disbursements	8,432
Fund Cash Balances, January 1	26,737
<b>Fund Cash Balances, December 31</b>	<b>\$35,169</b>

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



**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$7,842,112	\$137,870	\$0	\$7,979,982
Intergovernmental Receipts	187,099	111,640	0	298,739
Charges for Services	87,014	0	0	87,014
Fines, Licenses, and Permits	70,833	3,026	0	73,859
Earnings on Investments	864,828	0	0	864,828
Miscellaneous	12,742	845	0	13,587
<b>Total Cash Receipts</b>	<b>9,064,628</b>	<b>253,381</b>	<b>0</b>	<b>9,318,009</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	3,828,374	677,355	0	4,505,729
Public Health Services	7,930	0	0	7,930
Leisure Time Activities	210,631	0	0	210,631
Community Environment	53,293	0	0	53,293
Basic Utility Services	71,371	54,597	0	125,968
Transportation	36,238	73,131	0	109,369
General Government	2,962,701	2,813	0	2,965,514
Capital Outlay	0	0	734,748	734,748
<b>Total Cash Disbursements</b>	<b>7,170,538</b>	<b>807,896</b>	<b>734,748</b>	<b>8,713,182</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>1,894,090</b>	<b>(554,515)</b>	<b>(734,748)</b>	<b>604,827</b>
<b>Other Financing Receipts and (Disbursements):</b>				
Sale of Assets	157	0	0	157
Transfers-In	0	579,387	0	579,387
Transfers-Out	(579,387)	0	0	(579,387)
Other Sources	145,822	270	0	146,092
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(433,408)</b>	<b>579,657</b>	<b>0</b>	<b>146,249</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>1,460,682</b>	<b>25,142</b>	<b>(734,748)</b>	<b>751,076</b>
Fund Cash Balances, January 1	4,923,795	844,027	7,786,386	13,554,208
<b>Fund Cash Balances, December 31</b>	<b>\$6,384,477</b>	<b>\$869,169</b>	<b>\$7,051,638</b>	<b>\$14,305,284</b>
Reserves for Encumbrances, December 31	\$36,165	\$1,181	\$393,249	\$430,595

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

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$771
Mayor's Court	56,063
Total Operating Cash Receipts	56,834
<b>Operating Cash Disbursements:</b>	
Travel Transportation	38,417
Contractual Services	771
Mayor's Court	56,156
Total Operating Cash Disbursements	95,344
Operating Income/(Loss)	(38,510)
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	43,615
Total Non-Operating Cash Receipts	43,615
Net Receipts Over/(Under) Disbursements	5,105
Fund Cash Balances, January 1	21,632
<b>Fund Cash Balances, December 31</b>	<b>\$26,737</b>

*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, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Cuyahoga Heights, Cuyahoga County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected Mayor, Clerk, Treasurer, and six-member Council and operates under a charter originally adopted in August 1919. The Village provides police and fire protection services, emergency medical services, street maintenance and repair, sanitation services, park and recreation operations (leisure time activities), and Mayor's Court and general governmental services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Federal Home Loan Bank Discount Notes and Repurchase Agreements are valued at cost. The investments in STAR Ohio (the State Treasurer's investment pool) are valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

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

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

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

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

*Construction Fund* - This fund receives interest income proceeds and transfers from General Fund. The proceeds are being used to fund various Village capital improvement projects.

**6. Fiduciary Funds (Agency Funds)**

Fiduciary funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Agency Funds:

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

*Recreation Board Fund* - This fund is used to account for activities and trips arranged by the Village Recreation Board.

**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 for the General Fund and fund level of control for all other funds, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2001	2000
Demand deposits	\$109,849	(\$190,375)
Petty Cash	3,800	3,800
Total deposits	113,649	(186,575)
U.S. Treasury Notes		
STAR Ohio	12,671,557	13,206,627
Repurchase agreement	511,000	840,000
Federal Home Loan Bank Discount Note	489,434	471,969
Total investments	13,671,991	14,518,596
Total deposits and investments	\$13,785,640	\$14,332,021

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

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

**Investments:** The Federal Home Loan Bank Discount Notes are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in Repurchase Agreements are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Village's name. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,466,082	\$8,264,473	(\$201,609)
Special Revenue	787,257	787,058	(199)
Capital Projects	0	0	0
Total	\$9,253,339	\$9,051,531	(\$201,808)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,808,650	\$8,277,335	\$531,315
Special Revenue	1,173,400	803,549	369,851
Capital Projects	2,500,000	574,871	1,925,129
Total	\$12,482,050	\$9,655,755	\$2,826,295

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,660,009	\$9,210,607	\$550,598
Special Revenue	795,217	833,038	37,821
Capital Projects	0	0	0
Total	\$9,455,226	\$10,043,645	\$588,419

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,620,537	\$7,786,090	\$834,447
Special Revenue	1,037,887	809,077	228,810
Capital Projects	2,578,400	1,127,997	1,450,403
Total	\$12,236,824	\$9,723,164	\$2,513,660

The Village did not always certify the availability and encumber funds, prior to making any contract or ordering any expenditure of money, in either year under audit, contrary to Ohio Rev. Code Section 5705.41(D).

Contrary to Ohio Revised Code Section 5705.41(B) & (D), budgetary expenditures plus encumbrances exceeded appropriations in the General Fund at the object level, which is the legal level of budgetary control, for three line items at December 31, 2001 and one line item at December 31, 2000.

Contrary to Ohio Revised Code Section 5705.09(F), the Village did not establish a fund nor did they account for Juvenile Diversion Program grant monies in either year under audit. Additionally, the Village did not budget for these amounts which is contrary to Ohio Revised Code Section 5705.39.

**4. PROPERTY TAX**

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property with the County by each April 30.

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

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (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. RETIREMENT SYSTEMS**

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Property/Inland Marine
- Auto/General Liability
- Public Officials Errors and Omissions
- Law Enforcement Liability
- Fire Department/Ambulance Liability

The Village is self-insured for employee's health, dental and vision insurance. Payment of these claims is made from the General Fund as directed by the Third Party Administrator.

**8. CONTINGENT LIABILITIES**

The Village is party to legal proceedings. Although the outcome of these proceedings is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.



**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**9. RELATED PARTY TRANSACTIONS**

A Village Council member is employed by a family owned heating and cooling company from which the Village acquired services during 2001 and 2000. The Village paid \$12,925 in 2001 and \$15,132 in 2000 for these services. All payments to this company are approved by vote of council with the applicable council member abstaining from this vote.

**10. 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 104 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2001 or 2000. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

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**STATE OF OHIO  
OFFICE OF THE AUDITOR**

**JIM PETRO, AUDITOR OF STATE**

Lausche Building  
615 W Superior Ave  
Floor 12  
Cleveland, OH 44113-1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Cuyahoga Heights, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated October 11, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30818-001 through 2001-30818-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 11, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 11, 2002.

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

October 11, 2002

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

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

**FINDING NUMBER 2001-30818-001**

Ohio Revised Code Section 5705.41(D), requires in part that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from previous encumbrances.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within thirty days from the receipt of such certificates, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

During 2001 and 2000, in 25 out of 60 items tested, the Village Clerk certified the availability of funds after the purchase commitment was already made and the Village did not employ "Then and Now Certificates."

We recommend that the Village certify the availability of funds prior to making purchase commitments. We also recommend the Village utilize the "Then and Now Certificates" when appropriate.

**FINDING NUMBER 2001-30818-002**

Ohio Rev. Code Sections 5705.41(B) & (D) prohibits a subdivision or taxing unit from making an expenditure or an expenditure plus an encumbrance unless it has been properly appropriated. The Village's legal level of budgetary control is at the object level for the General Fund and the fund level for all other funds.

The following fund had expenditures plus encumbrances exceeding appropriations at the legal level of budgetary control on December 31, 2001:

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund			
Public Health Services			
Contractual Services	\$ 10,150	\$ 10,976	(\$ 826)
Leisure Time Activity			
Contractual Services	\$ 49,050	\$ 55,674	(\$ 6,624)
Transportation			
Supplies and Materials	\$ 255	\$ 12,870	(\$ 12,615)

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2001-30818-002  
(Continued)**

The following fund had expenditures plus encumbrances exceeding appropriations at the legal level of budgetary control on December 31, 2000:

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund			
Community Environment			
Travel and Transportation	\$ 38,000	\$ 44,587	(\$ 6,587)

This weakness could allow expenditures in the above fund to exceed the total of the available fund balance and the current year revenues. This would then result in a negative cash fund balance.

We recommend the Village compare appropriations to expenditures and appropriations to expenditures plus encumbrances at the legal level of budgetary control, in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at minimum.

**FINDING NUMBER 2001-30818-003**

Ohio Rev. Code Section 5705.09 (F) requires, in part, a special fund be created for each class of revenues which the law requires to be used for a particular purpose. Failure to create such a fund classification also means budget requirements will not be adhered to. Additionally, Ohio Rev. Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of estimated resources available for expenditure from the fund. In addition, Ohio Rev. Code Section 5705.40, requires that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

In 2001 and 2000, the Village received \$10,400 and \$10,000, respectively, in Juvenile Diversion Program grant monies through the Cuyahoga County Court of Common Pleas, Juvenile Court Division, for the purpose of funding the Cuyahoga Heights Community Diversion Program. The Village did not create the required fund and did not budget for these amounts.

We recommend the Village create the appropriate fund and include the Juvenile Diversion Program monies in the budget for approval by the Village Council.

**VILLAGE OF CUYAHOGA HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1999-30818-001	Ohio Rev. Code Section 5705.41(B)&(D), expenditures plus encumbrances exceeding appropriations.	No	Not Corrected—Reissued as 2001-30818-002
1999-30818-002	Village was not performing accurate monthly bank reconciliations.	Yes	







STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
NOVEMBER 7, 2002**