



**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002



**Auditor of State
Betty Montgomery**

VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

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, 2003 and December 31, 2002. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides 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, 2003 and December 31, 2002, 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 August 10, 2004, 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 audit.

This report is intended solely for the information and use of the management, Village Council and other officials authorized to receive this report under Section 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 10, 2004

**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, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$7,807,126	\$95,670	\$0	\$7,902,796
Intergovernmental Receipts	253,198	179,152	0	432,350
Charges for Services	123,869	0	0	123,869
Fines, Licenses, and Permits	56,148	4,775	0	60,923
Earnings on Investments	147,303	10,006	45,387	202,696
Miscellaneous	8,256	0	0	8,256
	<u>8,395,900</u>	<u>289,603</u>	<u>45,387</u>	<u>8,730,890</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	4,127,544	687,035	35,379	4,849,958
Public Health Services	9,605	0	19,968	29,573
Leisure Time Activities	202,700	0	7,672	210,372
Community Environment	41,589	0	0	41,589
Basic Utility Services	82,796	58,682	0	141,478
Transportation	68,225	92,037	0	160,262
General Government	3,146,258	0	88,081	3,234,339
	<u>7,678,717</u>	<u>837,754</u>	<u>151,100</u>	<u>8,667,571</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>717,183</u>	<u>(548,151)</u>	<u>(105,713)</u>	<u>63,319</u>
Other Financing Receipts and (Disbursements):				
Sale of Fixed Assets	9,864	0	0	9,864
Transfers-In	0	773,000	0	773,000
Transfers-Out	(773,000)	0	0	(773,000)
Other Sources	186,656	0	0	186,656
	<u>(576,480)</u>	<u>773,000</u>	<u>0</u>	<u>196,520</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	140,703	224,849	(105,713)	259,839
Fund Cash Balances, January 1, 2003	<u>4,784,478</u>	<u>989,229</u>	<u>6,406,741</u>	<u>12,180,448</u>
Fund Cash Balances, December 31, 2003	<u>\$4,925,181</u>	<u>\$1,214,078</u>	<u>\$6,301,028</u>	<u>\$12,440,287</u>
Reserves for Encumbrances, December 31, 2003	<u><u>\$39,642</u></u>	<u><u>\$45,104</u></u>	<u><u>\$79,923</u></u>	<u><u>\$164,669</u></u>

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

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts:	
Charges for Services	\$44,464
Fines, License and Permits	1,264
Mayor's Court	78,302
Total Operating Cash Receipts	124,030
Operating Cash Disbursements:	
Travel Transportation	26,833
Supplies and Materials	17,314
Mayor's Court	76,180
Total Operating Cash Disbursements	120,327
Operating Income/(Loss)	3,703
Fund Cash Balances, January 1, 2003	37,291
Fund Cash Balances, December 31, 2003	\$40,994
Reserve for Encumbrances, December 31, 2003	\$300

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, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$5,828,050	\$92,919	\$0	\$5,920,969
Intergovernmental Receipts	282,214	155,298	0	437,512
Charges for Services	123,249	0	0	123,249
Fines, Licenses, and Permits	75,694	4,555	0	80,249
Earnings on Investments	187,450	0	36,198	223,648
Miscellaneous	225,995	0	0	225,995
	<u>6,722,652</u>	<u>252,772</u>	<u>36,198</u>	<u>7,011,622</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	4,180,663	700,218	63,725	4,944,606
Public Health Services	5,706	0	0	5,706
Leisure Time Activities	200,535	0	11,263	211,798
Community Environment	52,598	0	0	52,598
Basic Utility Services	76,877	55,990	0	132,867
Transportation	31,543	29,533	0	61,076
General Government	3,142,115	0	31,236	3,173,351
	<u>7,690,037</u>	<u>785,741</u>	<u>106,224</u>	<u>8,582,002</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(967,385)</u>	<u>(532,969)</u>	<u>(70,026)</u>	<u>(1,570,380)</u>
Other Financing Receipts and (Disbursements):				
Sale of Assets	357	0	0	357
Transfers-In	0	669,520	0	669,520
Transfers-Out	<u>(669,520)</u>	<u>0</u>	<u>0</u>	<u>(669,520)</u>
	<u>(669,163)</u>	<u>669,520</u>	<u>0</u>	<u>357</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,636,548)	136,551	(70,026)	(1,570,023)
Fund Cash Balances, January 1, 2002	<u>6,421,026</u>	<u>852,678</u>	<u>6,476,767</u>	<u>13,750,471</u>
Fund Cash Balances, December 31, 2002	<u>\$4,784,478</u>	<u>\$989,229</u>	<u>\$6,406,741</u>	<u>\$12,180,448</u>
Reserves for Encumbrances, December 31, 2002	<u>\$102,060</u>	<u>\$475</u>	<u>\$11,735</u>	<u>\$114,270</u>

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

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts:	
Charges for Services	\$34,862
Fines, License and Permits	1,801
Mayor's Court	76,404
Total Operating Cash Receipts	113,067
Operating Cash Disbursements:	
Travel Transportation	21,678
Contractual Services	11,538
Mayor's Court	77,729
Total Operating Cash Disbursements	110,945
Operating Income/(Loss)	2,122
Fund Cash Balances, January 1, 2002	35,169
Fund Cash Balances, December 31, 2002	\$37,291
Reserve for Encumbrances, December 31, 2002	\$200

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, 2003 AND 2002**

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 and losses at the time of sale are recorded as receipts and disbursements, respectively.

Federal Home Loan Mortgage Notes 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 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, 2003 AND 2002
(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 the 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 the general fund used to liquidate the Village's obligation for pension contributions.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. 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.

4. 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, 2003 AND 2002
(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. The Village did not properly encumber all commitments as required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay 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

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:

	2003	2002
Demand deposits	\$12,974	\$412,490
Certificates of deposit	1,125,086	1,102,935
Petty cash	4,050	3,800
Total deposits	1,142,110	1,519,225
STAR Ohio	548,285	7,427,231
Victory Federal Money Market	8,273	1,891
Federal Home Loan Mortgage Notes	10,782,613	3,269,392
Total investments	11,339,171	10,698,514
Total deposits and investments	\$12,481,281	\$12,217,739

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH (Continued)

Investments: Federal Home Loan Mortgage Notes are held in book-entry form by the appropriate federal government agency, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. 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, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,392,693	\$8,592,420	\$199,727
Special Revenue	947,768	1,062,603	114,835
Capital Projects	0	45,387	45,387
Fiduciary	67,000	45,728	(21,272)
Total	<u>\$9,407,461</u>	<u>\$9,746,138</u>	<u>\$338,677</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,959,979	\$8,491,359	\$468,620
Special Revenue	1,229,475	882,858	346,617
Capital Projects	1,056,736	231,023	825,713
Fiduciary	62,200	44,447	17,753
Total	<u>\$11,308,390</u>	<u>\$9,649,687</u>	<u>\$1,658,703</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,128,347	\$6,723,009	(\$1,405,338)
Special Revenue	886,025	922,292	36,267
Capital Projects	0	36,198	36,198
Fiduciary	71,000	36,663	(34,337)
Total	<u>\$9,085,372</u>	<u>\$7,718,162</u>	<u>(\$1,367,210)</u>

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$10,011,220	\$8,461,617	\$1,549,603
Special Revenue	1,230,057	786,216	443,841
Capital Projects	1,000,000	117,959	882,041
Fiduciary	81,000	33,416	47,584
Total	\$12,322,277	\$9,399,208	\$2,923,069

The Village budgets for all Fiduciary funds except the Mayor's Court Fund.

Contrary to Ohio law, the Village did not always record a reservation of the applicable appropriation (encumber) at the time a commitment for the expenditure of funds was made.

Contrary to Ohio law, the Village did not file their annual reports with the Auditor of State. Also, the Village did not publish notice in a local newspaper that the report was available for public inspection.

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 to 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.

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 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.

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RETIREMENT SYSTEMS

The Village's law enforcement officers and fire fighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS 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 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

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 Village's third party administrator.

8. 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 2002 or 2003. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.



Auditor of State Betty Montgomery

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

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

We have audited the financial statements of the Village of Cuyahoga Heights, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated August 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 10, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the Village's management in a separate letter dated August 10, 2004.

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



Betty Montgomery
Auditor of State

August 10, 2004

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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The comments with an asterisk (*) denote comments that were previously reported to management in the December 31, 2001 and December 31, 2000 audit for which corrective action has not been taken.

Finding Number	2003-001 *
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Ohio Revised Code § 5705.41(D), states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This section also provides two exceptions to the above requirements:

- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that both at the time that the contract or order was made and at the time that she is completing her certification, a sufficient sum was available or in the process of collection, to the credit of a proper fund, properly appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate). If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- If the amount involved is less than one thousand dollars (which was increased to \$3,000 on April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the Village Council upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

A test of 60 expenditures disclosed 23 percent of the certificates were dated after the invoice date and the instances noted did not fall within any exceptions to this Section. As a result, the Village did not record a reservation of the applicable appropriation (encumber) at the time a commitment for the expenditure of funds was made. Failure to encumber commitments could result in deficit fund balances.

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2003-002
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Ohio Rev. Code § 117.38 states that cash basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report on the form utilized by the public office. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfilled, not to exceed seven hundred fifty dollars. The Auditor of State may provide waivers of these dates and penalties in certain circumstances.

The report shall contain the amount of: 1) collections and receipts, and amounts due from each source; 2) expenditures for each purpose; 3) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operations; and 4) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not file the required annual reports with the Auditor of State for fiscal years 2002 and 2003. In addition, no local newspaper notices were published during those same years.

We recommend the Village file their annual reports with the Auditor of State within the 60 day requirement. Also, the Village should publish a notice in a local newspaper stating the financial reports are available for public inspection.

Finding Number	2003-003 *
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CASH RECONCILIATION PROCEDURES

Timely recognition of cash receipts and disbursements is vital in ascertaining the cash financial position of any entity. Cash balances include cash in bank accounts and other imprest accounts. Cash is an asset that is very susceptible to embezzlement and is considered a high risk asset because of its liquidity and its desirability. In order for the cash to be properly monitored and accounted for, most entities perform a monthly reconciliation. This reconciliation verifies the cash balance reported in the general ledger agrees to the adjusted balance per the bank statement and it is also used to determine whether all cash receipts and disbursements have been properly recorded.

VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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(Continued)

Finding Number

2003-003 *

(Continued)

CASH RECONCILIATION PROCEDURES (Continued)

The Village did not perform complete and accurate monthly reconciliations during the entire audit period. Unsupported variances were carried forward each month and not investigated until after the audit period. Failure to reconcile the bank accounts timely, compromises the internal controls designed to aid in the detection of errors and/or irregularities in a timely manner and during the normal course of business. When performed, the reconciliations identified varying bank over/under book fluctuations each month. This resulted in an inefficient process when determining what the sources of the errors were and when they occurred.

We recommend the Village perform accurate and timely bank reconciliations which should be submitted to the Council and Mayor for the review and approval.

**VILLAGE OF CUYAHOGA HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30818-001	Ohio Rev. Code Section 5705.41(D), certification of availability of funds prior to purchase commitment.	No	Not Corrected—Reissued as Finding Number 2003-001.
2001-30818-002	Ohio Rev. Code Section 5705.41(B) & (D), expenditures plus encumbrances exceeded appropriations at the legal level of budgetary control.	No	Comment will be repeated in the Management Letter. One immaterial instance was noted.
2001-30818-003	Ohio Rev. Code Sections 5705.09 (F), 5705.39, and 5705.40, the Village did not establish a fund to account for the Juvenile Diversion grant monies nor were these funds budgeted for.	Yes	Corrected - In 2002, the Village established the Juvenile Diversion fund and has included the fund in their appropriations.



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VILLAGE OF CUYAHOGA HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 16, 2004**