

Village of Cuyahoga Heights, Ohio

**Financial Statements
For the years ended
December 31, 2009**



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Cuyahoga Heights, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Cuyahoga Heights is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 5, 2010

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Village of Cuyahoga Heights, Ohio

For The Years Ended December 31, 2009

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Independent Auditors' Report

Honorable Mayor and
Members of Council of the
Village of Cuyahoga Heights, Ohio

We have audited the accompanying financial statements of the Village of Cuyahoga Heights, Ohio (the "Village"), as of and for the year ended December 31, 2009, as listed in the Table of Contents. 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 misstatements. 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 more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's large (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009, or their changes in financial position for the year then ended.

Honorable Mayor and
Members of Council of the
Village of Cuyahoga Heights, Ohio

Also, 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 as of December 31, 2009, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2009. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2010 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Cini & Panichi, Inc.

Cleveland, Ohio
September 8, 2010

Village of Cuyahoga Heights, Ohio

Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types

For The Year Ended December 31, 2009

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Local taxes	\$ 7,956,562	\$ 70,404	\$ -	\$ -	\$ 8,026,966
Intergovernmental	207,655	104,169	-	-	311,824
Charges for services	323,716	-	-	-	323,716
Fines, licenses and permits	128,083	6,890	-	-	134,973
Earnings on investments	136,985	27,376	-	52,574	216,935
Other revenue	190,651	-	-	7,917	198,568
Total cash receipts	<u>8,943,652</u>	<u>208,839</u>	<u>-</u>	<u>60,491</u>	<u>9,212,982</u>
Cash disbursements:					
Current:					
Security of persons and property	4,873,125	780,934	-	-	5,654,059
Public health services	25,414	-	-	-	25,414
Leisure time activities	159,798	-	-	-	159,798
Community environment	130,033	5,920	-	-	135,953
Basic utility services	94,823	71,250	-	-	166,073
Transportation	70,029	104,825	-	-	174,854
General government	4,485,487	66,008	-	-	4,551,495
Debt service:					
Principal payments	-	-	3,500,000	-	3,500,000
Interest payments	-	-	139,682	-	139,682
Capital Outlay	-	-	-	449,965	449,965
Total cash disbursements	<u>9,838,709</u>	<u>1,028,937</u>	<u>3,639,682</u>	<u>449,965</u>	<u>14,957,293</u>
Total cash receipts over(under) cash disbursements	<u>(895,057)</u>	<u>(820,098)</u>	<u>(3,639,682)</u>	<u>(389,474)</u>	<u>(5,744,311)</u>
Other financing receipts(disbursements):					
Sale of Notes	-	-	3,000,000	-	3,000,000
Other debt proceeds	-	-	19,140	-	19,140
Sale of fixed assets	9,751	-	-	-	9,751
Transfers – In	-	678,000	660,000	-	1,338,000
Transfers – Out	(838,000)	-	-	(500,000)	(1,338,000)
Total other financing receipts (disbursements)	<u>(828,249)</u>	<u>678,000</u>	<u>3,679,140</u>	<u>(500,000)</u>	<u>3,028,891</u>
Excess of cash receipts and other financing receipts over(under) cash disbursements and other financing disbursements	(1,723,306)	(142,098)	39,458	(889,474)	(2,715,420)
Fund cash balances, January 1	<u>3,459,263</u>	<u>1,477,093</u>	<u>2,938</u>	<u>3,118,804</u>	<u>8,058,098</u>
Fund cash balances, December 31	\$ <u>1,735,957</u>	\$ <u>1,334,995</u>	\$ <u>42,396</u>	\$ <u>2,229,330</u>	\$ <u>5,342,678</u>
Reserve for encumbrances, December 31	\$ <u>33,407</u>	\$ <u>4,490</u>	\$ <u>-</u>	\$ <u>35,024</u>	\$ <u>72,921</u>

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

Village of Cuyahoga Heights, Ohio

Combined Statement of Cash Receipts, Disbursements, and Changes In Fund Cash Balances – Fiduciary Fund Types

For The Year Ended December 31, 2009

	<u>Fiduciary Fund Type Agency</u>
Operating Cash Revenues:	
Fees, fines and forfeitures	\$ 110,407
Other	<u>2,428</u>
Total operating cash receipts	112,835
Operating Cash Disbursements:	
Contractual services	<u>128,475</u>
Operating loss	(15,640)
Non-operating Cash Revenues:	
Miscellaneous	<u>23,087</u>
Net income	7,447
Fund cash balances, January 1	<u>49,254</u>
Fund cash balances, December 31	\$ <u><u>56,701</u></u>
Reserve for Encumbrances, December 31	\$ <u><u>499</u></u>

The accompanying notes are an integral part of these financial statements

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

December 31, 2009

Note 1: Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Cuyahoga Heights, Cuyahoga County, Ohio, (the "Village") as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides police and fire protection services, emergency medical services, street maintenance and repair, sanitation services, park and recreation operations (leisure time activities), Mayor's Court, and general 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters the Auditor of State prescribes.

C. Cash 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. The Village records gains and losses at the time of sale as receipts and disbursements, respectively.

U.S. Treasury Securities 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:

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.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

December 31, 2009

Note 1: Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

Special Revenue Funds

These funds 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:

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.

Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village has the following significant debt service fund:

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

Capital Project Funds

These funds account for receipts 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.

Fiduciary Funds (Agency Funds)

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village’s own programs.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

December 31, 2009

Note 1: Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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

December 31, 2009

Note 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:

	<u>2009</u>
Demand deposits	\$ 140,285
Petty cash	<u>4,150</u>
Total deposits	<u>144,435</u>
STAR Ohio	87,517
Fifth Third Money Market	83,209
National City Money Market	66,032
Key Bank Money Market	15,608
Certificates of Deposit	4,500,000
Federal Home Loan Bank Bonds	<u>502,578</u>
Total investments	<u>5,254,944</u>
Total deposits and investments	\$ <u>5,399,379</u>

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

Investments:

The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, 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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

December 31, 2009

Note 3: Budgetary Activity

Budgetary activity for the year ending December 31, 2009 follows:

<u>Fund Type</u>	<u>2009 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 8,831,876	\$ 8,953,403	\$ 121,527
Special Revenue	929,520	886,839	(42,681)
Debt Service	3,666,500	3,679,140	12,640
Capital Projects	40,000	60,491	20,491
Fiduciary	<u>64,000</u>	<u>25,913</u>	<u>(38,087)</u>
Total	\$ <u>13,531,896</u>	\$ <u>13,605,786</u>	\$ <u>73,890</u>

<u>Fund Type</u>	<u>2009 Budgeted vs. Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 10,745,613	\$ 10,710,116	\$ 35,497
Special Revenue	1,485,270	1,033,427	451,843
Debt Service	3,666,500	3,639,682	26,818
Capital Projects	1,000,000	984,989	15,011
Fiduciary	<u>61,000</u>	<u>26,927</u>	<u>34,073</u>
Total	\$ <u>16,958,383</u>	\$ <u>16,395,141</u>	\$ <u>563,242</u>

The Village budgets for all Fiduciary funds, except Mayor's Court; which include Recreation Youth Board, Rental Reimbursement, Senior Citizens, and Street Openings.

Note 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. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

December 31, 2009

Note 4: Property Tax (continued)

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2009 is zero.

Note 5: Local Income Tax

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

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: Notes Payable

Debt outstanding at December 31, 2009, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bond Anticipation Notes	\$ 3,000,000	2.15%

General obligation bond anticipation notes were issued in anticipation of the issuance of bonds to pay the costs of constructing, furnishing, and equipping a police facility, and otherwise improving police facilities and their sites, and costs of issuance.

Note 7: 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 Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

December 31, 2009

Note 7: Retirement Systems (continued)

The Ohio Revised Code also prescribes contribution rates. For 2009, OP&F participants contributed 10 percent of their wages. For 2009, the Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time firefighters' wages, respectively. For 2009, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

Note 8: Risk Management

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

Effective September 1, 2009, the Village was no longer self-insured for employee's health, dental, and vision insurance. The Village is now a member of a fully-insured, premium-based plan with Medical Mutual of Ohio.

Note 9: Northeast Ohio Public Energy Council

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

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

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

December 31, 2009

Note 10: Transfers

All transfers are in compliance with the Ohio Revised Code or debt covenants. The transfer from the capital projects fund to the debt service fund is for the purpose of meeting the debt covenants.

Note 11: Noncompliance

Ohio Revised Code 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 2009, the Village had expenditures plus encumbrances in excess of appropriations as follows:

	<u>Final</u> <u>Appropriations</u>		<u>Actual</u> <u>Expenditures</u>		<u>Excess</u>
Special revenue funds:					
Fire Pension	\$ 497,000		\$ 514,235		\$ (16,735)

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and
Members of Council of the
Village of Cuyahoga Heights, Ohio

We have audited the financial statements of the Village of Cuyahoga Heights, Ohio (the “Village”) as of and for the year ended December 31, 2009, and have issued our report thereon dated September 8, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes, or permits, rather than accounting principles generally accepted in the United States of America. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 function, 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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses: 2009-02 through 2009-03.

Honorable Mayor and
Members of Council of the
Village of Cuyahoga Heights, Ohio

Compliance and Other Matters

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 grant agreements, 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2009-01.

We noted certain matters that we reported to management of the Village, in a separate letter dated September 8, 2010.

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

This report is intended solely for the information and use of the Village Council, Village Management, and the Auditor of State's Office and is not intended to be and should not be used by anyone other than these specified parties.

Cini & Panichi, Inc.

Cleveland, Ohio
September 8, 2010

Village of Cuyahoga Heights, Ohio

Schedule of Findings

December 31, 2009

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

2009-01	<p>Material Noncompliance</p> <p>Per ORC Section 5705.41(B), no subdivision or taxing unit is to expend money unless it has been appropriated.</p> <p>The Village had expenditures plus encumbrances in excess of appropriations as of December 31, 2009 for the Fire Pension fund of \$16,735.</p>
2009-02	<p>Financial Reporting – Material Weakness</p> <p>During our testing of internal controls over the payroll disbursement process, it was noted that the Village finance department was improperly recording sick time used for the fire department. We noted that the fire department properly tracked its compensated absences but did not report them to the finance department in a timely manner, resulting in the finance departments failure to record some of the hours used.</p> <p>Ciuni & Panichi, Inc. noted that for the fire department payroll, the compensated absences used during each three-week period were only reported to the finance department every other payroll period. Therefore, if a compensated absence was used during the previous payroll period, it would not be deducted from the leave balance by the finance department. This resulted in some employees' sick leave balances being overstated.</p> <p>We noted for the year ending December 31, 2009 that the Village's finance department corrected the fire department sick leave balances by 190 hours in the finance department's payroll system to correct the hours for individual employees.</p> <p>The lack of proper controls over the posting of compensated absence use could result in employees receiving additional time off or even result in the Village over-compensating employees receiving a severance package.</p> <p>We recommend the Village adopt a policy that requires the compensated absences used by each department be recorded by the finance department each week. We also recommend that the Village finance department reconcile the compensated absences used with the individual departments periodically to help ensure accuracy and to assist in correcting mistakes in a timely manner.</p>

Village of Cuyahoga Heights, Ohio

Schedule of Findings (continued)

December 31, 2009

2009-03	<p>Financial Reporting – Material Weakness</p> <p>During our testing of internal controls over the receipts and disbursements process, it was noted that the Village was not performing monthly bank reconciliations on a timely basis. Ciuni & Panichi, Inc. noted that the Village prepared many manual journal entries in January 2010 to correct mistakes that were made during 2009 because the Village was not performing timely bank reconciliations.</p> <p>Sound financial reporting is the responsibility of the Village Clerk and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.</p> <p>The following weaknesses were noted and subsequent adjustments made to the financial statements and, where applicable, to the Village’s accounting records:</p> <ol style="list-style-type: none">1. The Village did not perform monthly bank reconciliations during 2009. <p>The lack of controls over the posting of financial transactions, reconciliation process, and financial reporting can result in errors and irregularities that may go undetected and decrease the reliability of the financial data throughout the year.</p> <p>We recommend the Village adopt a policy that requires monthly bank reconciliations be performed to ensure that all cash receipts and disbursements are being recorded in the proper month. We also recommend that these bank reconciliations be a part of the monthly financial statements that are reviewed by the finance committee to ensure that they are completed in a timely fashion.</p>
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Village of Cuyahoga Heights, Ohio

Schedule of Prior Year Findings

December 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-01	<p>Per ORC Section 117.38, cash basis entities must file annual reports with the Auditor of the State within 60 days of the fiscal year end. Also, the public office must publish notice in a local newspaper stating that the financial report is available for public inspection at the office of the chief fiscal officer.</p> <p>The Village did not file an annual report for fiscal year 2008. Also, there was no notice in the local newspaper stating the fiscal year 2008 report was available for public inspection.</p>	Yes	
2008-02	<p>Per ORC Section 5705.39, total appropriations from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.</p> <p>The Village had appropriations in excess of total estimated resources as of December 31, 2008 for the Community Grant Special Revenue fund and the Note Retirement Debt Service fund of \$250,000 and \$3,446,000, respectively.</p>	Yes	
2008-03	<p>Per ORC Section 5705.41(B), no subdivision or taxing unit is to expend money unless it has been appropriated.</p> <p>The Village had expenditures plus encumbrances in excess of appropriations as of December 31, 2008 for the Streets Special Revenue fund, the Note Retirement Debt Service fund, and the General Capital Projects fund of \$52,395, \$57,502, and \$135,969, respectively.</p>	No	Not corrected, repeated as finding 2009-01

Village of Cuyahoga Heights, Ohio

Schedule of Prior Year Findings (continued)

December 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-04	<p data-bbox="310 617 948 1115">During our 2008 testing of internal controls over the receipts and disbursements process, it was noted that the Village was not performing monthly bank reconciliations. Also, during the financial audit of the cash statements provided by the Village, we discovered material misstatements due to the failure of the Village to record all receipts and expenditures during the year. Paragraph 18 of the <i>Statement of Auditing Standards</i> 112 documents that the identification of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity's internal control is a strong indicator of a material weakness even if management subsequently corrects the misstatement.</p> <p data-bbox="310 1136 948 1268">These misstatements were the result of the failure to perform the monthly bank reconciliation as there were items that would have been reconciling items on a monthly basis.</p> <p data-bbox="310 1289 948 1421">Sound financial reporting is the responsibility of the Village Clerk and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.</p> <p data-bbox="310 1442 948 1535">The following weaknesses were noted and subsequent adjustments made to the financial statements and, where applicable, to the Village's accounting records:</p> <ol data-bbox="396 1556 948 1890" style="list-style-type: none"> <li data-bbox="396 1556 948 1619">1. The Village did not perform monthly bank reconciliations during 2008. <li data-bbox="396 1629 948 1722">2. The Village adjusted miscellaneous revenue by \$21,002 for amounts that were not recorded by the Village during 2008. <li data-bbox="396 1732 948 1890">3. The Village adjusted the leisure time activities and the general government expenditures by \$7,162 for amounts that incorrectly recorded by the Village during 2008. 	No	Not corrected, repeated as finding 2009-03

Village of Cuyahoga Heights, Ohio

Schedule of Prior Year Findings (continued)

December 31, 2009

The lack of controls over the posting of financial transactions, reconciliation process, and financial reporting can result in errors and irregularities that may go undetected and decrease the reliability of the financial data throughout the year.

We recommend the Village adopt a policy that requires monthly bank reconciliations be performed to ensure that all cash receipts and disbursements are being recorded in the proper month. We also recommend that these bank reconciliations be a part of the monthly financial statements that are reviewed by the finance committee to ensure that they are completed in a timely fashion.

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

Response to Findings Associated With
 Audit Conducted In Accordance With
Government Auditing Standards
 For The Year Ended December 31, 2009

Finding Number	Planned Correction Action	Anticipated Completion Date	Responsible Contact Person
2009-01	The Village will monitor budgetary expenditures to ensure that they do not exceed appropriations.	2010	Bob Unger, Village Clerk
2009-02	The Village will implement new procedures over the compensated absence recording process for the fire department.	2010	Bob Unger, Village Clerk
2009-03	The Village will attempt to complete monthly bank reconciliations in a timely fashion and provide them to the finance committee for review.	2010	Bob Unger, Village Clerk



Mary Taylor, CPA
Auditor of State

VILLAGE OF CUYAHOGA HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 21, 2010**