

Village of Cuyahoga Heights, Ohio

**Financial Statements
December 31, 2006 and 2005**



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Cuyahoga Heights
4863 East 71th 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, 2005 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 25, 2007

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Village of Cuyahoga Heights, Ohio

For The Years Ended December 31, 2006 and 2005

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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 years ended December 31, 2006 and 2005, 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 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 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, 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.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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, 2006 and 2005 or their changes in financial position for the years then ended.

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 of Cuyahoga Heights, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years 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 years ended December 31, 2006 and 2005. 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 June 28, 2007 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 audits.

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 28, 2007

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, 2006

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Local taxes	\$ 8,788,878	\$ 148,108	\$ -	\$ -	\$ 8,936,986
Intergovernmental	156,046	106,582	-	-	262,628
Charges for services	331,178	-	-	-	331,178
Fines, licenses and permits	73,515	2,780	-	-	76,295
Earnings on investments	325,400	22,466	-	67,239	415,105
Other revenue	160,979	-	-	1,411	162,390
Total cash receipts	<u>9,835,996</u>	<u>279,936</u>	<u>-</u>	<u>68,650</u>	<u>10,184,582</u>
Cash disbursements:					
Current:					
Security of persons and property	4,569,143	759,034	-	-	5,328,177
Public health services	18,645	-	-	-	18,645
Leisure time activities	273,895	-	-	-	273,895
Community environment	82,984	-	-	-	82,984
Basic utility services	111,468	56,075	-	-	167,543
Transportation	22,420	65,426	-	-	87,846
General government	4,102,457	1,683	-	-	4,104,140
Debt service:					
Principal payments	-	-	4,000,000	-	4,000,000
Interest payments	-	-	168,300	-	168,300
Capital Outlay	-	-	-	3,030,889	3,030,889
Total cash disbursements	<u>9,181,012</u>	<u>882,218</u>	<u>4,168,300</u>	<u>3,030,889</u>	<u>17,262,419</u>
Total cash receipts over(under) cash disbursements	<u>654,984</u>	<u>(602,282)</u>	<u>(4,168,300)</u>	<u>(2,962,239)</u>	<u>(7,077,837)</u>
Other financing receipts(disbursements):					
Sale of Notes	-	-	4,177,142	-	4,177,142
Transfers – In	-	648,000	94,300	1,977,000	2,719,300
Transfers – Out	(742,300)	-	(1,977,000)	-	(2,719,300)
Other sources	-	24,399	-	-	24,399
Total other financing receipts (disbursements)	<u>(742,300)</u>	<u>672,399</u>	<u>2,294,442</u>	<u>1,977,000</u>	<u>4,201,541</u>
Excess of cash receipts and other financing receipts over(under) cash disbursements and other financing disbursements	(87,316)	70,117	(1,873,858)	(985,239)	(2,876,296)
Fund cash balances, January 1	<u>4,961,316</u>	<u>1,409,443</u>	<u>4,007,813</u>	<u>4,780,854</u>	<u>15,159,426</u>
Fund cash balances, December 31	\$ <u>4,874,000</u>	\$ <u>1,479,560</u>	\$ <u>2,133,955</u>	\$ <u>3,795,615</u>	\$ <u>12,283,130</u>
Reserve for encumbrances, December 31	\$ <u>95,148</u>	\$ <u>7,052</u>	\$ <u>-</u>	\$ <u>14,738</u>	\$ <u>116,938</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 – Proprietary Fund Types and Fiduciary Fund Types

For The Year Ended December 31, 2006

	<u>Fiduciary Fund Type Agency</u>
Operating Cash Revenues:	
Fees, fines and forfeitures	\$ 1,062
Miscellaneous	<u>33,381</u>
Total operating cash receipts	<u>34,443</u>
Operating Cash Disbursements:	
Travel transportation	29,131
Contractual services	<u>18,191</u>
Total operating cash disbursements	<u>47,322</u>
Operating loss	(12,879)
Fund cash balances, January 1	<u>47,097</u>
Fund cash balances, December 31	\$ <u><u>34,218</u></u>
Reserve for Encumbrances, December 31	\$ <u><u>200</u></u>

The accompanying notes are an integral part of these financial statements

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, 2005

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Local taxes	\$ 8,798,529	\$ 122,822	\$ -	\$ -	\$ 8,921,351
Intergovernmental	198,499	88,008	-	-	286,507
Charges for services	272,942	-	-	-	272,942
Fines, licenses and permits	161,224	5,814	-	-	167,038
Earnings on investments	250,118	18,941	8,202	39,587	316,848
Other revenue	<u>29,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,163</u>
Total cash receipts	<u>9,710,475</u>	<u>235,585</u>	<u>8,202</u>	<u>39,587</u>	<u>9,993,849</u>
Cash disbursements:					
Current:					
Security of persons and property	4,485,569	763,242	-	-	5,248,811
Public health services	19,271	-	-	-	19,271
Leisure time activities	219,003	-	-	-	219,003
Community environment	65,495	-	-	-	65,495
Basic utility services	95,251	57,826	-	-	153,077
Transportation	77,824	47,554	-	-	125,378
General government	4,261,470	1,879	-	-	4,263,349
Debt service:					
Interest payments	-	-	389	-	389
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,216,499</u>	<u>1,216,499</u>
Total cash disbursements	<u>9,223,883</u>	<u>870,501</u>	<u>389</u>	<u>1,216,499</u>	<u>11,311,272</u>
Total cash receipts over(under) cash disbursements	<u>486,592</u>	<u>(634,916)</u>	<u>7,813</u>	<u>(1,176,912)</u>	<u>(1,317,423)</u>
Other financing receipts(disbursements):					
Sale of notes	-	-	4,000,000	-	4,000,000
Sale of fixed assets	2,328	-	-	-	2,328
Transfers – in	-	725,000	-	3,700,000	4,425,000
Transfers – out	(725,000)	-	-	(3,700,000)	(4,425,000)
Other sources (uses)	<u>88,950</u>	<u>(9,992)</u>	<u>-</u>	<u>-</u>	<u>78,958</u>
Total other financing receipts (disbursements)	<u>(633,722)</u>	<u>715,008</u>	<u>4,000,000</u>	<u>-</u>	<u>4,081,286</u>
Excess of cash receipts and other financing receipts over(under) cash disbursements and other financing disbursements	(147,130)	80,092	4,007,813	(1,176,912)	2,763,863
Fund cash balances, January 1	<u>5,108,446</u>	<u>1,329,351</u>	<u>-</u>	<u>5,957,766</u>	<u>12,395,563</u>
Fund cash balances, December 31	\$ <u>4,961,316</u>	\$ <u>1,409,443</u>	\$ <u>4,007,813</u>	\$ <u>4,780,854</u>	\$ <u>15,159,426</u>
Reserve for encumbrances, December 31	\$ <u>32,676</u>	\$ <u>1,667</u>	\$ <u>-</u>	\$ <u>90,981</u>	\$ <u>125,324</u>

The accompanying notes are an integral part of these financial statements

Village of Cuyahoga Heights, Ohio

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

For The Year Ended December 31, 2005

	<u>Fiduciary Fund Type Agency</u>
Operating Cash Revenues:	
Charges for services	\$ 2,200
Fees, fines and forfeitures	1,934
Miscellaneous	<u>45,029</u>
Total operating cash receipts	<u>49,163</u>
Operating Cash Disbursements:	
Travel transportation	22,957
Contractual services	<u>19,329</u>
Total operating cash disbursements	<u>42,286</u>
Operating income	6,877
Fund cash balances, January 1	<u>40,220</u>
Fund cash balances, December 31	\$ <u><u>47,097</u></u>
Reserve for Encumbrances, December 31	\$ <u><u>200</u></u>

The accompanying notes are an integral part of these financial statements

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

December 31, 2006 and 2005

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 governs 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 report disbursements for investment purchases or receipts for investment sales. The Village reports gains and losses at the time of sale 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:

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, 2006 and 2005

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 Funds:

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 for which the Village is acting in an agency capacity are classified as agency funds. 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.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

December 31, 2006 and 2005

Note 1: Summary of Significant Accounting Policies (continued)

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.

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 2006 and 2005 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, 2006 and 2005

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>2006</u>	<u>2005</u>
Demand deposits	\$ (42,916)	\$ (284,993)
Certificates of deposit	100,000	108,397
Petty cash	<u>4,150</u>	<u>4,050</u>
Total deposits	61,234	(172,546)
STAR Ohio	401,619	1,139,634
Victory Federal Money Market	18,880	6,273
Fifth Third Money Market	1,745,012	199,424
National City Money Market	43,505	273,791
Federal Home Loan Mortgage Notes	8,199,258	9,755,585
Police Note	<u>1,847,940</u>	<u>4,004,362</u>
Total investments	<u>12,256,114</u>	<u>15,379,069</u>
Total deposits and investments	\$ <u>12,317,348</u>	\$ <u>15,206,523</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.

Note 3: Budgetary Activity

Budgetary activity for the year ending December 31, 2006 and 2005 follows:

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 8,774,371	\$ 9,835,996	\$ 1,061,625
Special Revenue	1,100,786	952,335	(148,451)
Debt Service	-	4,271,442	4,271,442
Capital Projects	20,000	2,045,650	2,025,650
Fiduciary	-	<u>34,443</u>	<u>34,443</u>
Total	\$ <u>9,895,157</u>	\$ <u>17,139,866</u>	\$ <u>7,244,709</u>

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

December 31, 2006 and 2005

Note 3: Budgetary Activity (continued)

<u>Fund Type</u>	<u>2006 Budgeted vs. Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 10,953,616	\$ 10,018,460	\$ 935,156
Special Revenue	1,123,425	889,270	234,155
Debt Service	6,485,500	6,145,300	340,200
Capital Projects	3,759,062	3,045,627	713,435
Fiduciary	<u>47,522</u>	<u>47,522</u>	<u>-</u>
Total	\$ <u>22,369,125</u>	\$ <u>20,146,179</u>	\$ <u>2,222,946</u>

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 9,399,388	\$ 9,801,753	\$ 402,365
Special Revenue	1,082,932	960,585	(122,347)
Debt Service	-	4,008,202	4,008,202
Capital Projects	3,725,000	3,739,587	14,587
Fiduciary	<u>70,000</u>	<u>49,163</u>	<u>(20,837)</u>
Total	\$ <u>14,277,320</u>	\$ <u>18,559,290</u>	\$ <u>4,281,970</u>

<u>Fund Type</u>	<u>2005 Budgeted vs. Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 10,391,590	\$ 9,981,559	\$ 410,031
Special Revenue	928,339	882,160	46,179
Debt Service	390	389	1
Capital Projects	8,474,332	5,007,480	3,466,852
Fiduciary	<u>53,500</u>	<u>42,486</u>	<u>11,014</u>
Total	\$ <u>19,848,151</u>	\$ <u>15,914,074</u>	\$ <u>3,934,077</u>

The Village budgets for all Fiduciary funds, which include Recreation Youth Board, Rental Reimbursement, Senior Citizens, Street Openings, and Police and Fire Pension. The Village does not budget for the Mayor's Court.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

December 31, 2006 and 2005

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.

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.

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, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bond Anticipation Notes	\$ 4,000,000	4.50%

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.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

December 31, 2006 and 2005

Note 7 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 2006 and 2005, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. For 2006 and 2005, OPERS members contributed 9.0 and 8.5 percent of their wages, respectively. The Village contributed an amount equal to 13.70 percent of participants' gross salaries in 2006 and 13.55 percent of participants' gross salaries in 2005. The Village has paid all contributions required through December 31, 2006.

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

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.

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 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 2004. Financial information can be obtained by contacting NOPEC at 1615 Clarke Avenue, Cleveland, Ohio 44109.

Village of Cuyahoga Heights, Ohio

Notes To Financial Statements

December 31, 2006 and 2005

Note 10 Related Party Transactions

A Village council member is the owner of Consolidated Heating & Air Conditioning, Inc., a company the Village uses to provide various heating and air conditioning services. Another Council member's sibling owns Champion Roofing, Inc., a company the Village used to provide various roofing services. The Village paid \$10,276 and \$6,600 for these services during 2005. No related party transactions were noted during 2006.

**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 years ended December 31, 2006 and 2005, and have issued our report thereon dated June 28, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

Internal Control over Financial Reporting

In planning and performing our audits, 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village’s financial statements that is more than inconsequential will not be prevented or detected by the Village’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 audits, 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 items 06-01 through 06-03 and 05-01 through 05-04.

We noted certain matters that we reported to management of the Village, in a separate letter dated June 28, 2007.

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 responses 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.

Cimini & Panichi, Inc.

Cleveland, Ohio
June 28, 2007

Village of Cuyahoga Heights, Ohio

Schedule of Findings

December 31, 2006 and 2005

Findings Related To The Financial Statements Required To Be Reported In Accordance With GAGAS

06-01	<p>Per ORC Section 5705.39, the total appropriation 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 original appropriations in excess of total estimated resources as of December 31, 2006 for the Note Retirement Debt Service fund and the Police Station Capital Projects fund of \$4,165,000 and \$377,570, respectively.</p>
06-02	<p>Per ORC Section 5705.39, the total appropriation 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 also had final appropriations in excess of total estimated resources as of December 31, 2006 for the Note Retirement Debt Service fund and the Police Station Capital Projects fund of \$6,475,500 and \$2,344,570, respectively.</p>
06-03	<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 2006. Also, there was no notice in the local newspaper stating the fiscal year 2006 report was available for public inspection.</p>
05-01	<p>Per ORC Section 5705.39, the total appropriation 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 original appropriations in excess of original total estimated resources as of December 31, 2005 for the Police Station Capital Projects fund of \$3,682,707.</p>

Village of Cuyahoga Heights, Ohio

Schedule of Findings (Continued)

December 31, 2006 and 2005

05-02	<p>Per ORC Section 5705.39, the total appropriation 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 final appropriations in excess of final total estimated resources as of December 31, 2005 for the DARE Special Revenue fund and the Note Retirement Debt Service fund of \$100 and \$390, respectively.</p>
05-03	<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 appropriations in excess of expenditures plus encumbrances as of December 31, 2005 for the supplies and materials object of the transportation function and capital outlay object of the general government function within the general fund of \$37,308 and \$483,769, respectively.</p>
05-04	<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 2005. Also, there was no notice in the local newspaper stating the fiscal year 2005 report was available for public inspection.</p>

Village of Cuyahoga Heights, Ohio

Schedule of Prior Year Findings

December 31, 2006 and 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Thirteen percent of the transactions tested from 2004 were not certified by the Clerk-Treasurer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.	No	Partially corrected, included in management recommendation letter
2004-002	Per ORC Section 5705.39 the total appropriation 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. In 2003, the Dare, Diversion Program, FEMA Grant, Alcoa Grant and Police Pension Special Revenue Funds had appropriations that were greater than the Certificate of Estimated Resources by \$2,000, \$800, \$11,494, 28,000 and \$53,280, respectfully.	No	Not corrected, repeated as finding 06-01, 06-02, 05-01 and 05-02.

Village of Cuyahoga Heights, Ohio

Schedule of Prior Year Findings (Continued)

December 31, 2006 and 2005

2004-003	<p>Ohio Rev. Code § 117.38 provides 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 Village did not file the required annual report with the Auditor of State for fiscal year 2004. As a result, the Village was assessed and paid the maximum \$750 penalty. In addition, no local newspaper notice was published during the same year.</p>	No	Not corrected, repeated as finding 06-03 and 05-04.
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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, 2006 and 2005

Finding Number	Planned Correction Action	Anticipated Completion Date	Responsible Contact Person
06-01	The Village will monitor appropriations to ensure that they do not exceed estimated resources.	N/A	Barb Lepkowski, Village Clerk
06-02	The Village will monitor appropriations to ensure that they do not exceed estimated resources.	N/A	Barb Lepkowski, Village Clerk
06-03	The Village will attempt to file the annual report within the 60 days as prescribed by the Auditor of State.	N/A	Barb Lepkowski, Village Clerk
05-01	The Village will monitor appropriations to ensure that they do not exceed estimated resources.	N/A	Barb Lepkowski, Village Clerk
05-02	The Village will monitor appropriations to ensure that they do not exceed estimated resources.	N/A	Barb Lepkowski, Village Clerk
05-03	The Village will monitor appropriations to ensure that they do not exceed expenditures plus encumbrances.	N/A	Barb Lepkowski, Village Clerk
05-04	The Village will attempt to file the annual report within the 60 days as prescribed by the Auditor of State.	N/A	Barb Lepkowski, 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
AUGUST 7, 2007**