



Dave Yost • Auditor of State



VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY

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# Dave Yost • Auditor of State

Village of Newburgh Heights  
Cuyahoga County  
4000 Washington Park Boulevard  
Newburgh Heights, Ohio 44105

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Dave Yost**  
Auditor of State

May 3, 2013

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Newburgh Heights  
Cuyahoga County  
4000 Washington Park Boulevard  
Newburgh Heights, Ohio 44105

To the Village Council:

We have audited the accompanying financial statements of the Village of Newburgh Heights, Cuyahoga County, (the Village) as of and for the years ended December 31, 2011 and 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides 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 require presenting entity wide statements and also presenting the Village's larger (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 Governments 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 years ended December 31, 2011 and 2010 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, 2011 and 2010, or its 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Newburgh Heights, Cuyahoga County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 the Village of Newburgh Heights adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

May 3, 2013



**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$95,010	\$374,362	\$0	\$0	\$469,372
Municipal Income Tax	652,908	0	0	0	652,908
Intergovernmental	156,811	220,450	0	0	377,261
Charges for Services	43,892	26,272	0	0	70,164
Fines, Licenses and Permits	290,084	123,210	0	0	413,294
Miscellaneous	144,250	3,075	0	0	147,325
<i>Total Cash Receipts</i>	<u>1,382,955</u>	<u>747,369</u>	<u>0</u>	<u>0</u>	<u>2,130,324</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	555,130	511,516	0	0	1,066,646
Public Health Services	1,857	0	0	0	1,857
Leisure Time Activities	12,248	0	0	0	12,248
Basic Utility Services	121,785	0	0	0	121,785
Transportation	129,365	91,870	0	0	221,235
General Government	638,043	14,390	0	0	652,433
Capital Outlay	0	34,910	0	0	34,910
Debt Service:					
Principal Retirement	0	0	400,000	0	400,000
Interest and Fiscal Charges	0	0	10,921	0	10,921
<i>Total Cash Disbursements</i>	<u>1,458,428</u>	<u>652,686</u>	<u>410,921</u>	<u>0</u>	<u>2,522,035</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(75,473)</u>	<u>94,683</u>	<u>(410,921)</u>	<u>0</u>	<u>(391,711)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Notes	0	0	395,461	0	395,461
Transfers In	0	0	15,460	0	15,460
Transfers Out	0	(15,460)	0	0	(15,460)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>(15,460)</u>	<u>410,921</u>	<u>0</u>	<u>395,461</u>
<i>Net Change in Fund Cash Balances</i>	<u>(75,473)</u>	<u>79,223</u>	<u>0</u>	<u>0</u>	<u>3,750</u>
<i>Fund Cash Balances, January 1</i>	<u>(28,228)</u>	<u>47,624</u>	<u>0</u>	<u>8,060</u>	<u>27,456</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	128,439	0	8,060	136,499
Unassigned (Deficit)	(103,701)	(1,592)	0	0	(105,293)
<i>Fund Cash Balances, December 31</i>	<u>(\$103,701)</u>	<u>\$126,847</u>	<u>\$0</u>	<u>\$8,060</u>	<u>\$31,206</u>

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

VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Mayor's Court Receipts	\$331,928
<i>Total Operating Cash Receipts</i>	<u>331,928</u>
<b>Operating Cash Disbursements</b>	
Mayor's Court Disbursements	<u>322,911</u>
<i>Total Operating Cash Disbursements</i>	<u>322,911</u>
<i>Net Change in Fund Cash Balances</i>	9,017
<i>Fund Cash Balances, January 1</i>	<u>15,202</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$24,219</u></u>

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

VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$95,614	\$294,435	\$0	\$0	\$390,049
Municipal Income Tax	741,411	0	0	0	741,411
Intergovernmental	181,289	291,499	0	0	472,788
Charges for Services	68,139	53,364	0	0	121,503
Fines, Licenses and Permits	286,841	40,147	0	0	326,988
Earnings on Investments	15	0	0	0	15
Miscellaneous	153,190	13,498	0	0	166,688
<b>Total Cash Receipts</b>	<b>1,526,499</b>	<b>692,943</b>	<b>0</b>	<b>0</b>	<b>2,219,442</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	645,308	426,087	0	0	1,071,395
Public Health Services	1,931	0	0	0	1,931
Leisure Time Activities	19,934	0	0	0	19,934
Basic Utility Service	111,910	0	0	0	111,910
Transportation	93,496	96,914	0	0	190,410
General Government	670,478	85,833	0	600	756,911
Debt Service:					
Redemption of Principal	0	14,850	400,000	0	414,850
Interest and Fiscal Charges	0	0	16,222	0	16,222
Capital Outlay	32,457	55,784	0	0	88,241
<b>Total Cash Disbursements</b>	<b>1,575,514</b>	<b>679,468</b>	<b>416,222</b>	<b>600</b>	<b>2,671,804</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(49,015)</b>	<b>13,475</b>	<b>(416,222)</b>	<b>(600)</b>	<b>(452,362)</b>
<b>Other Financing Receipts / (Disbursements):</b>					
Sale of Notes	0	0	400,000	0	400,000
Transfers-In	0	0	6,924	0	6,924
Transfers-Out	(6,924)	0	0	0	(6,924)
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>(6,924)</b>	<b>0</b>	<b>406,924</b>	<b>0</b>	<b>400,000</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(55,939)</b>	<b>13,475</b>	<b>(9,298)</b>	<b>(600)</b>	<b>(52,362)</b>
<b>Fund Cash Balances, January 1</b>	<b>27,711</b>	<b>34,149</b>	<b>9,298</b>	<b>8,660</b>	<b>79,818</b>
<b>Fund Cash Balances, December 31</b>	<b>(\$28,228)</b>	<b>\$47,624</b>	<b>\$0</b>	<b>\$8,060</b>	<b>\$27,456</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$5,289</b>	<b>\$3,046</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,335</b>

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

VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCE (CASH BASIS) - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<b>Operating Cash Receipts:</b>	
Mayor's Court Receipts	\$322,996
Total Operating Cash Receipts	<u>322,996</u>
<b>Operating Cash Disbursements:</b>	
Mayor's Court Disbursements	340,067
Total Operating Cash Disbursements	<u>340,067</u>
Net Receipts Over/(Under) Disbursements	(17,071)
Fund Cash Balances, January 1 - Restated	<u>32,273</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$15,202</u></u></b>

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

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**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 Newburgh Heights, Cuyahoga County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides various services including a Mayor's Court, police and fire protection, emergency medical service, park operations, street maintenance and repairs, and general administrative services.

The Village participates in the Northeast Ohio Public Energy Council (NOPEC) jointly governed organization. Note 11 to the financial statements provides additional information for these entities.

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

**B. Accounting Basis**

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. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Village utilizes only checking accounts. The Village does not have any investments.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

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

Police Salary Levy Fund – This fund receives levy proceeds to pay police department salaries.

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

Fire Department Operating Fund – This fund receives intergovernmental and tax revenues to operate the fire department.

**3. Debt Service Funds**

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

General Obligation Fund – This fund is used to make principal and interest payments on general obligations of the Village.

**4. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Municipal Center Fund – This fund is used to account for expenditures relating to the purchase and development of property along Harvard Avenue and Washington Park Blvd.

**5. Fiduciary 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.

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's agency fund account for the collection and distribution of Mayor's Court fines, fees, and bonds.

**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.

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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.

**H. 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.

**2. Change in Accounting Principle and Restatement of Fund Cash Balance**

**A. Change in Accounting Principle**

For fiscal year 2011, the Village has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The implementation of this Statement did not have an effect on the Village's financial statements.

**B. Restatement of Fund Cash Balance**

For fiscal year 2010, the Village restated the December 31, 2009 Agency Fund Cash Balance as previously reported due to expenditures that were previously recorded in the incorrect year. This increased the December 31, 2009 fund cash balance from \$160 to \$32,273.

**3. Equity in Pooled Deposits**

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

	2011	2010
Demand deposits	<u>\$55,425</u>	<u>\$42,658</u>
Total deposits and investments	<u><u>\$55,425</u></u>	<u><u>\$42,658</u></u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.



**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,442,522	\$1,382,955	(\$59,567)
Special Revenue	653,226	747,369	94,143
Debt Service	426,525	410,921	(15,604)
Capital Projects	0	0	0
Total	\$2,522,273	\$2,541,245	\$18,972

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,418,687	\$1,493,350	(\$74,663)
Special Revenue	667,287	668,351	(1,064)
Debt Service	416,000	410,921	5,079
Capital Projects	0	0	0
Total	\$2,501,974	\$2,572,622	(\$70,648)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,318,242	\$1,526,499	\$208,257
Special Revenue	707,578	692,943	(14,635)
Debt Service	447,000	406,924	(40,076)
Capital Projects	0	0	0
Total	\$2,472,820	\$2,626,366	\$153,546

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,615,783	\$1,587,727	\$28,056
Special Revenue	897,796	682,514	215,282
Debt Service	456,298	416,222	40,076
Capital Projects	8,870	600	8,270
Total	\$2,978,747	\$2,687,063	\$291,684

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority at the legal level of control in the General, SCMR, CDBG, Law Enforcement Trust, Drug Fine, Federal Law Enforcement, and Fire Department Operating Levy Funds by \$114,222, \$6,802, \$32,933, \$15,418, \$3,863, \$3,145, \$1,218, respectively for the year ended December 31, 2011.

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

Contrary to Ohio law, appropriations exceeded estimated receipts in the General, Police Salary, and Fire Department Levy Funds at December 31, 2010 and the Police Salary Fund at December 31, 2011.

Also contrary to Ohio law, at December 31, 2011 and 2010, the General fund had cash deficit balances of \$103,701 and \$28,228, respectively. This issue has been corrected in 2012 with the only negative fund balance being the CDBG fund.

**5. Property Tax**

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

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

**6. 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 Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**7. Debt**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Real Estate Acquisition General Obligation	\$395,000	8%
Bond Anticipation Notes, Series 2011		
Total	<u><u>\$395,000</u></u>	

In June 2011 the Village issued \$395,000 in Notes in anticipation of the issuance of bonds for the purpose of acquiring and improving real estate for municipal purposes.

**8. Retirement Systems**

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**9. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**10. Contingent Liabilities**

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

**11. Jointly Governed Organizations**

Northeast Ohio Public Energy Council – The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the 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 173 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide electricity 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 ten-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 Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

**12. Subsequent Events**

The Village has signed purchase agreements for the sale of property. 4000 Washington Park Boulevard would result in additional general fund revenue of \$461,000 to be used for new equipment, roadwork, staffing, and a reserve. 4071 East 49<sup>th</sup> Street would result in additional general fund revenue of \$270,000 which will be used as a reserve.

The Village is seeking an additional levy of 8.7 mills for police department use. The issue is to be voted on May 7, 2013.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Newburgh Heights  
Cuyahoga County  
4000 Washington Park Boulevard  
Newburgh Heights, Ohio 44105

To the Village Council:

We have audited the financial statements of the Village of Newburgh Heights, Cuyahoga County (the Village) as of and for the year ended December 31, 2011 and 2010, and have issued our report thereon dated May 3, 2013 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 also noted the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### 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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. 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 timely corrected. We consider findings 2011-05 and 2011-07 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2011-04 described in the accompanying schedule of findings to be a significant deficiency.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which described in the accompanying schedule of findings as items 2011-01 through 2011-06.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 3, 2013.

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 them.

We intend this report solely for the information and use of management, the Village Council, and others within the Village. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

May 3, 2013

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

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

**FINDING NUMBER 2011-01**

**Material Noncompliance - Negative Cash Balances**

Ohio Rev. Code Section 5705.10 states money paid into any fund shall be used only for the purposes for which the fund is established. A negative cash balance in a fund represents a fund where money from another fund is being used to support that fund, contrary to its purpose. During our testing we noted that various funds had negative cash balances throughout the year and noted the following at year end:

Fund	Negative Cash Balance	Fund	Negative Cash Balance
December 31, 2011		December 31, 2010	
General Fund	(103,701)	General Fund	(28,228)
CDBG Fund	(214)	CDBG Fund	(18,510)
MVL Fund	(663)		
Drug Fine Fund	(715)		

We noted these funds did not have a request pending with the grantor (if applicable) for additional funds at the end of the indicated month and revenue received in the subsequent month was not adequate to cover the negative cash or negative fund balance.

We recommend the Village properly utilize cash advances to these funds, request reimbursements, or other appropriate measures to ensure negative cash or negative fund balances do not exist throughout the year.

*Officials' Response:* This issue has been corrected in 2012. In future circumstances the Village will issue advances from the General Fund to correct negative fund balances until reimbursements have been made. In 2012 only the CDBG fund carried a negative fund balance.

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-02**

**Material Noncompliance - Expenditures Plus Encumbrances vs. Appropriations**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making expenditures unless it has been properly appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the Council may not exceed appropriations at the legal level of control for all funds. For fiscal year 2011 the Village's legal level of control was personal services and other within each applicable department. The following funds had expenditures plus encumbrances in excess of appropriations plus carryover encumbrances at the legal level of control at December 31, 2011.

		Appropriations Plus PY Encumbrances	Expenditures Plus Encumbrances	Variance
<b>General Fund</b>				
	Police Department -Personal Services	366,666	387,541	(20,925)
	Police Department-Other	124,979	127,151	(2,172)
	Service Department-Other	24,574	56,822	(32,248)
	Mayor / Admin-Personal Services	40,839	42,056	(1,217)
	Mayor / Admin-Other	87,102	102,143	(14,239)
	Legislative-Other	1,500	7,536	(6,036)
	Clerk / Treasurer-Other	51,700	75,139	(22,439)
	Land / Building Department-Other	233,094	247,431	(14,946)
<b>SCMR Fund</b>				
	Service Department-Personal Services	66,950	73,752	(6,802)
<b>CDBG Fund</b>				
	Legislative-Other	0	32,933	(32,933)
<b>Law Enforcement Trust Fund</b>				
	Police Department-Other	0	15,418	(15,418)
<b>Drug Fine Fund</b>				
	Police Department-Other	0	3,863	(3,863)
<b>Federal Law Enforcement Trust Fund</b>				
	Police Department-Other	0	3,145	(3,145)
<b>Fire Department Operating Levy Fund</b>				
	Fire Department-Other	36,955	38,173	(1,218)

We recommend the Village verify that all expenditures have proper appropriation authority prior to expending funds and compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, to maintain compliance with the above requirements. Furthermore, management should review their accounting system and determine if reports can be generated at the legal level of control adopted by Council.

*Officials' Response:* This issue has been corrected in 2012 and 2013 by ordinance. The administration will work to develop a spreadsheet to be provided to council for tracking appropriations at the legal level of control.



**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

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

**FINDING NUMBER 2011-03**

**Material Noncompliance – Appropriations Exceeding Estimated Resources**

Ohio Rev. Code Section 5705.39 states in part that the total appropriations from each fund should not exceed the total estimated revenue. The following funds had appropriations exceeding estimated receipts at year end 2010 and 2011.

	Estimated Receipts including Unencumbered Fund Balance	Total Appropriations	Variance
At December 31, 2010			
General Fund	1,346,394	1,553,000	(206,605)
Police Salary Fund	96,258	110,000	(13,742)
Fire Department Levy Fund	226,424	240,000	(13,576)
At December 31, 2011			
Police Salary Fund	162,681	187,500	(24,819)

Appropriating more money than expected to be received could lead to negative fund balances and monies being used to cover expenses being charged to inappropriate funds or line items. It also could lead to commitments being made without appropriate funds to cover the expenses.

We recommend that the Village compare appropriations to estimated receipts for all funds to ensure appropriations do not exceed estimated resources and to ensure compliance with the above requirements.

*Officials' Response:* Estimated resources will be more closely monitored and adjusted throughout the year. The new finance department will be more proactive in working with the County Budget Commission to ensure appropriations do not exceed resources.

VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-04

**Material Noncompliance and Significant Deficiency – Illegal Transfer**

Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable inter-fund transfers. In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by resolution of the taxing authority, passed with a two-thirds affirmative vote. In addition to transfers from the General Fund and those permitted by Ohio Rev. Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to any other public funds under its supervision, with certain exceptions, which are detailed in Ohio Rev. Code Section 5705.15.

Except in the case of transfers from the General Fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the General Fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for General Fund transfers though a resolution is required). Transfers must be approved and clearly labeled as such by a formal resolution of the taxing authority of the subdivision which must include a specific statement that the transaction is a transfer of cash.

During 2011, the Village transferred from the Fire Department Levy Fund to the General Fund in the amount of \$2,500 which was not approved by Council and was not one of the circumstances allowed in Ohio Rev. Code Section 5705.14.

The Village posted an adjustment to their accounting system and financial statements to reverse the effect of the above transfer.

We recommend the Village review interfund transfers prior to the approval and transaction date to ensure the Village has the authority to transfer and use the funds in question. All transfers should be made in accordance with the aforementioned Ohio Revised Code Section.

*Officials' Response:* The Village has made the appropriate corrective adjustment.

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-05**

**Material Noncompliance and Material Weakness – Mayor’s Court Computerization Funds**

Ohio Rev. Code sections 2303.201, 1907.261, and 1901.261 grant authority to assess additional fees on the filings of certain causes of actions to be used for the computerization of the court and the clerk of court’s office for Common Pleas, County, and Municipal Court, respectively. While there is no provision in Ohio Rev. Code section 1905 that explicitly establishes similar computerization funds for Mayor’s Courts, it is the opinion of the Auditor of State that the mayor’s courts are also able to establish these funds.

These Code provisions state that the court can authorize and direct the clerk of its court to charge an additional fee for the causes of action listed in Ohio Rev. Code Sections 2303.20 (A), (Q), or (U), if it determines that additional funds are necessary to computerize the operations of the court. The fee charged to computerize the operations of the court cannot exceed \$3, and the amount selected must be placed in a special revenue fund. The fee assessed for the computerization of the courts pursuant to division A(1), which must not exceed \$3 per filing, may be used for the computerization of any aspect of the court, including the acquisition and maintenance of legal research software and hardware for court personnel. In addition to assessing fees to computerize the operations of the court, the court may determine that additional funds are necessary to computerize the office of the clerk of its court. If such a determination is made, then the court can direct the clerk of court to change an additional fee which must not exceed \$10 for the causes of actions listed in Ohio Rev. Code Section 2303.20(A), (P), (Q), (T) and (U).

As clarified in Auditor of State Bulletin 97-010, and later in Bulletin 2005-003, the following areas are considered appropriate expenditures for computerization purposes: computer space; computer electrical; computer air-conditioning; computer furniture; computer hardware; computer software; subscriptions to computer services; staff expenses related to operating the computer system, including fringe benefits; computer supplies, for example computer paper, diskettes, etc; training expenses; maintenance of equipment as well as computer needs studies. Revenue from these fees cannot be used to compensate any employee of the court who happens to use a computer in the ordinary course of his or her duties. Rather the AOS believes that in providing for additional fees as specified in the relative code sections, the Ohio Legislature intended that such fees are to be used for procuring and maintaining computer systems or for computerization of the courts. This would include procurement of services for the installation, update, and maintenance of the court’s computer system (e.g., computer programmers or computer engineers). Such services may be provided by employees or staff of the court and, in such circumstances, fees could be expended for employee or staff expenses as properly documented to demonstrate the percentage of time spent on such activities. However, employees and staff should not be compensated from computerization fees when utilizing the court’s computer systems as end-users.

The Village collects \$10 per case for court automation and places it into their Mayor’s Court Automation Fund (287) and collects \$3 per case for court automation for legal research and places it into their Legal Research fund (288) in accordance with the above sections. During 2011 the Village disbursed \$7,500 out of the Mayor’s Court Automation Fund and \$3,100 out of the Legal Research Fund for Sec / Clerk of Courts wages. During 2010 the Village disbursed \$11,698 out of the Mayor’s Court Automation Fund and \$19,812 out of the Legal Research Fund for Sec / Clerk of Courts wages and benefits. These funds compensated staff as end users of the court’s computer system and therefore were not proper disbursements from those funds.

VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-05  
(Continued)

**Material Noncompliance and Material Weakness – Mayor’s Court Computerization Funds**

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.

The Village posted adjustments to their accounting system and financial statements to post the expenditures to the General Fund.

We recommend the Village establish policies on what are appropriate disbursements from their computerization funds and consult with the Village Solicitor if necessary to ensure they are making proper expenditures.

*Officials’ Response:* The Village has made the appropriate corrective adjustment.

VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-06

**Material Noncompliance - Law Enforcement Trust Fund**

Ohio Rev. Section 2925.03 (F)(1) requires the clerk of court to pay any mandatory fine imposed pursuant to division (D)(1) of this section and any fine other than a mandatory fine imposed for a violation of this section pursuant to division (A) or (B)(5) of section 2929.18 of the Revised Code to the county...or state law enforcement agencies in this state that were primarily responsible for or involved in making the arrest of, and in prosecuting, the offender. However, the Clerk shall not pay a mandatory fine so imposed to a law enforcement agency unless the agency has adopted a written internal control policy under division (F)(2) of this section that addresses the use of the fine moneys that it receives. Each agency shall use the mandatory fines so paid to subsidize the agency's law enforcement efforts that pertain to drug offenses, in accordance with the written internal control policy adopted by the recipient agency under division (F)(2) of this section. Ohio Rev. Code Section 2925.03 (F)(2) provides guidance on preparing an internal control policy which describes the general types of allowable expenditures from the Law Enforcement Trust Fund.

Ohio Rev. Code Section 2981.13(C) also provides for a Law Enforcement Trust Fund for forfeited money and proceeds from forfeited property to the law enforcement agency substantially involved in the seizure. Section (2)(a) states that no amounts shall be allocated to a fund created under this section or used by an agency unless the agency has adopted a written internal control policy that addresses the use of moneys received from the appropriate fund.

The Village received monies from the above sections that were deposited into a Law Enforcement Trust Fund and expended for purposes benefiting the Newburgh Heights Police Department. They appeared to be in accordance with Ohio Rev. Code Section 2981.13(C)(2)(a)) but they did not have an internal control policy which describes the general types of allowable expenditures from the Law Enforcement Trust Fund in accordance with Section 2925.03 (F)(2) or 2981.13(C)(2)(a).

Failure to know the externally imposed requirements may result in return of money or illegal expenditures also requiring money to be recovered.

We recommend the Village establish an internal control policy on what are appropriate disbursements from their law enforcement trust funds and consult with the Village Solicitor if necessary to ensure they are making proper expenditures and complying with any other requirements of those funds.

*Officials' Response:* The Village is prepared to make any necessary corrections regarding these funds and establish a defined policy for the purpose of expenditures.

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2011-07**

**Material Weakness – Financial Reporting**

Sound financial reporting is the responsibility of the Clerk-Treasurer and the Village Council and is essential to ensure that the information provided to the readers of the financial statements is complete and accurate.

We noted the following weaknesses and the Clerk-Treasurer made subsequent adjustments to the financial statements and, where applicable, to the Village's accounting records:

- The Village did not present Agency fund activity relating to the Mayor's Court in their unaudited financial statements. This was manually computed and added to the 2011 and 2010 financial statements during the audit.
- The Village used a separate bank account to account for Law Enforcement Trust Funds and to allow the Village Accounting Software to account for these expenditures in the same manner as other expenditures, reimbursements between the General Fund and Law Enforcement Trust Funds (LETF) were processed. During 2010, two checks totaling \$1,049 were adjusted out of LETF fund 283 and also out of LETF fund 285 in the same amount. That caused expenditures out of LETF fund 285 to be overstated and expenditures out of the General fund to be understated by \$1,049.
- During 2006, the Village transferred from the Law Enforcement Trust Fund 283 to the General Fund in the amount of \$2,500 and did not have the authority to transfer that money. This finding for adjustment was not made and previously did not result in an opinion modification, however, now with the other misstatements aggregated from this audit, the misstated amount is deemed material.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.

The Village should adopt policies and procedures for controls over recording of daily financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increases the reliability of the financial data at year-end.

*Official's Response:* The Village has made the appropriate corrective adjustments.



# Dave Yost • Auditor of State

VILLAGE OF NEWBURGH 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  
MAY 16, 2013