



**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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, Ohio, (the Village) as of and for the year ended December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

March 11, 2002

VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY

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

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$887,468	\$130,356	\$0	\$6,346	\$1,024,170
Special Assessments				945	945
Intergovernmental Receipts	205,035	164,308			369,343
Charges for Services	64,719	45,350			110,069
Fines, Licenses, and Permits	304,700	38,626			343,326
Earnings on Investments	6,677				6,677
Miscellaneous	91,316	80			91,396
Total Cash Receipts	1,559,915	378,720	0	7,291	1,945,926
Cash Disbursements:					
Current:					
Security of Persons and Property	777,941	196,540		9,637	984,118
Public Health Services	1,783				1,783
Leisure Time Activities	12,190				12,190
Community Environment	83	54,626			54,709
Basic Utility Services	84,132				84,132
Transportation	84,276	138,298			222,574
General Government	467,943	40,149			508,092
Debt Service:					
Principal Payments					
Capital Outlay	34,532	28,223	38,463		101,218
Total Cash Disbursements	1,462,880	457,836	38,463	9,637	1,968,816
Total Receipts Over/(Under) Disbursements	97,035	(79,116)	(38,463)	(2,346)	(22,890)
Other Financing Receipts/(Disbursements):					
Transfers-In			129,143		129,143
Transfers-Out	(129,143)				(129,143)
Total Other Financing Receipts/(Disbursements)	(129,143)	0	129,143	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(32,108)	(79,116)	90,680	(2,346)	(22,890)
Fund Cash Balances, January 1	64,765	140,650	3,204	4,469	213,088
Fund Cash Balances, December 31	\$32,657	\$61,534	\$93,884	\$2,123	\$190,198
Reserves for Encumbrances, December 31	\$18,921	\$2,266	\$0	\$0	\$21,187

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

VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY

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

	<u>Agency</u>
Operating Cash Receipts:	
Charges for Services	\$0
Miscellaneous	0
Total Operating Cash Receipts	0
Operating Cash Disbursements:	
Personal Services	0
Fringe Benefits	
Contractual Services	
Supplies and Materials	
Capital Outlay	0
Total Operating Cash Disbursements	0
Operating Income/(Loss)	0
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	
Intergovernmental Receipts	
Proceeds from Notes and Bonds	
Other Non-Operating Receipts	383,776
Total Non-Operating Cash Receipts	383,776
Non-Operating Cash Disbursements:	
Debt Service	
Other Non-Operating Cash Disbursements	385,156
Total Non-Operating Cash Disbursements	385,156
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(1,380)
Fund Cash Balances, January 1	5,578
Fund Cash Balances, December 31	\$4,198
Reserve for Encumbrances, December 31	\$0

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, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Newburgh Heights, Cuyahoga County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. 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's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

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

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Police Disability and Pension Fund - This fund is used to account for the police pension prior to paying the funds to the retirement system (Expendable Trust).

Mayor's Court Fund - This fund is used to account for the collection and distribution of Mayor's court fines, fees, and bonds (Agency Fund).

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 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2001 budgetary activity appears in Note 3.

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2001 was as follows:

Demand Deposits	194,396

Total Deposits	\$194,396

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2001:

Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,553,742	\$1,559,915	\$6,173
Special Revenue	575,098	378,720	(196,378)
Capital Projects	40,000	129,143	89,143
Expendable Trust	7,481	7,291	(190)
Total	\$2,176,321	\$2,075,069	(\$101,252)

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(CONTINUED)**

3. BUDGETARY ACTIVITY (Continued)

Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,649,313	\$1,610,944	\$38,369
Special Revenue	481,843	460,102	21,741
Capital Projects	38,828	38,463	365
Expendable Trust	<u>9,637</u>	<u>9,637</u>	<u>0</u>
Total	<u>\$2,179,621</u>	<u>\$2,119,146</u>	<u>\$60,475</u>

Contrary to Ohio law, at December 31, 2001, the Community Development Block Grant fund, a Special Revenue Fund type had a cash deficit balance.

4. PROPERTY TAX

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

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

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

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

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(CONTINUED)**

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2001. The Village has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles, emergency medical services, law enforcement liability; and
- Commercial catastrophe liability, and errors and omissions.

The Village also provides health insurance to full-time employees through a private carrier.

8. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 104 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

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

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL
CONTROL 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 accompanying financial statements of the Village of Newburgh Heights, Cuyahoga County, Ohio, (the Village) as of and for the year ended December 31, 2001, and have issued our report thereon dated March 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

Village of Newburgh Heights
Cuyahoga County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

March 11, 2002

VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001

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

FINDING NUMBER 2001-30818-001

Noncompliance Citation

Ohio Revised Code Section 5705.10, requires that "money paid into any fund shall be used for only the purposes for which such fund is established." The following fund had a negative cash fund balance for the year ending December 31, 2001.

<u>Fund</u>	<u>Negative Fund Balance</u>
Community Development Block Grant (CDBG)	(\$63,800)

The negative fund balance noted above indicates that money from other funds was used to pay for obligations of the above fund.

The Village had a negative fund balance in the CDBG fund at the end of calendar year 2001, because the Village was not requesting reimbursements from the grantor agency when the reimbursement was available.

The Village should request reimbursements as expenditures are made.

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30818-001	Certifying the availability of funds for encumbrances	Yes	
2000-30818-002	Negative cash fund balances	No	Not Corrected: Reissued as 2001-30818-001
2000-30818-003	Appropriations exceeding total estimated resources	Yes	
2000-30818-004	Not filing the annual report with the Auditor of State Office within 60 days after fiscal year end.	Yes	
2000-30818-005	Village was not reconciling their bank accounts	Yes	



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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 9, 2002**