



Dave Yost • Auditor of State

**VILLAGE OF NEWBURGH HEIGHTS
 CUYAHOGA COUNTY
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 DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Newburgh Heights
Cuyahoga County
3801 Harvard Road
Newburgh Heights, Ohio 44105

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Newburgh Heights, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Newburgh Heights, Cuyahoga County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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
Columbus, Ohio

November 9, 2018

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Village of Newburgh Heights, Ohio

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

For the year ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash receipts:					
Property and other local taxes	\$ 120,767	\$ 439,985	\$ -	\$ -	\$ 560,752
Municipal income tax	641,081	-	307,330	-	948,411
Intergovernmental	75,119	764,352	-	-	839,471
Charges for services	65,407	63,128	-	-	128,535
Fines, licenses, and permits	2,818,750	29,350	-	-	2,848,100
Earnings on investment	-	-	-	2,476	2,476
Miscellaneous	196,091	-	-	16,478	212,569
	<u>3,917,215</u>	<u>1,296,815</u>	<u>307,330</u>	<u>18,954</u>	<u>5,540,314</u>
Cash disbursements:					
Current:					
Security of persons and property	1,232,805	757,390	-	-	1,990,195
Public health services	8,928	-	-	-	8,928
Leisure time activities	21,096	-	-	-	21,096
Community environment	-	-	-	14,050	14,050
Basic utility services	89,544	-	-	-	89,544
Transportation	227,776	69,972	-	-	297,748
General government	1,183,817	135,276	-	30,748	1,349,841
Capital outlay	344,851	460,676	-	348,279	1,153,806
Debt service:					
Principal retirement	71,660	22,809	160,000	-	254,469
Interest and fiscal charges	4,457	1,890	271,529	-	277,876
	<u>3,184,934</u>	<u>1,448,013</u>	<u>431,529</u>	<u>393,077</u>	<u>5,457,553</u>
Excess of receipts over (under) disbursements	<u>732,281</u>	<u>(151,198)</u>	<u>(124,199)</u>	<u>(374,123)</u>	<u>82,761</u>
Other financing receipts (disbursements)					
Sale of capital assets	5,459	-	-	-	5,459
Advances in	9,200	-	-	-	9,200
Advances out	-	(9,200)	-	-	(9,200)
Transfers in	-	175,000	122,836	202,175	500,011
Transfers out	(500,011)	-	-	-	(500,011)
	<u>(485,352)</u>	<u>165,800</u>	<u>122,836</u>	<u>202,175</u>	<u>5,459</u>
Net change in fund cash balances	246,929	14,602	(1,363)	(171,948)	88,220
Fund cash balances, January 1	30,484	106,313	335,433	202,558	674,788
Fund cash balances, December 31:					
Restricted	-	120,915	334,070	30,610	485,595
Assigned	23,674	-	-	-	23,674
Unassigned (deficit)	253,739	-	-	-	253,739
	<u>277,413</u>	<u>120,915</u>	<u>334,070</u>	<u>30,610</u>	<u>763,008</u>
Fund cash balances, December 31	\$ <u>277,413</u>	\$ <u>120,915</u>	\$ <u>334,070</u>	\$ <u>30,610</u>	\$ <u>763,008</u>

See accompanying notes to the basic financial statements

Village of Newburgh Heights, Ohio

Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Proprietary and Fiduciary Fund Types

For the year ended December 31, 2017

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>
	<u>Enterprise</u>	<u>Agency</u>
Operating cash receipts:		
Charges for services	\$ 73,710	\$ -
Mayor's court receipts	<u>-</u>	<u>392,980</u>
Total operating cash receipts	<u>73,710</u>	<u>392,980</u>
Operating cash disbursements:		
Contractual services	61,060	-
Mayor's court disbursements	<u>-</u>	<u>386,709</u>
Total operating cash disbursements	<u>61,060</u>	<u>386,709</u>
Net change in fund cash balances	12,650	6,271
Fund cash balances, January 1	<u>-</u>	<u>30,503</u>
Fund cash balances, December 31	\$ <u><u>12,650</u></u>	\$ <u><u>36,774</u></u>

See accompanying notes to the basic financial statements

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2017

Note 1: Summary of Significant Accounting Policies

Description of the Entity

The Village of Newburgh Heights, Ohio (the "Village"), Cuyahoga County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected five-member Council directs the Village. The Village provides various services including police, fire and emergency medical services, park operations, street maintenance and repairs, and general administrative services. The Village contracts with the City of Cleveland to provide refuse collections.

The Village participates in a jointly governed organization. Note 8 to the financial statements provides additional information for this entity.

Jointly governed organization:

Northeast Ohio Public Energy Council (NOPEC)

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

Basis of Presentation

The Village's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

1) General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2017

Note 1: Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

2) Special Revenue Funds (continued)

Grants / CDBG – This fund is used for capital projects paid for with grants from the County, State, Federal, or other governmental agencies.

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

Fire Department Operating Fund – This fund receives levy proceeds to pay fire and EMS department wages, salaries, and operating expenses.

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 Fund:

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 Fund:

Municipal Center Fund – The municipal building construction fund accounts for and reports proceeds of general obligation bonds. The proceeds are restricted for construction of a new municipal building.

5) Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following Enterprise Fund:

Refuse Collection Fund – This fund accounts for the provision of refuse collection services to the residents and commercial users within the Village.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2017

Note 1: Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

6) 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. The Village has no trust funds.

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 accounts for the collection and distribution of Mayor's Court fines, fees, and bonds.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code (ORC) 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 and function level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2017

Note 1: Summary of Significant Accounting Policies (continued)

Budgetary Process (continued)

3) Encumbrances

The ORC 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 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

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.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2017

Note 1: Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

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.

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.

Capital Assets

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

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.

Note 2: Equity in Pooled Deposits and Investments

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

	<u>2017</u>
Demand deposits	\$ <u>812,432</u>
Total	\$ <u><u>812,432</u></u>

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2017

Note 2: Equity in Pooled Deposits and Investments (continued)

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

Note 3: Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 3,784,172	\$ 3,931,874	\$ 147,702
Special Revenue	1,460,135	1,471,815	11,680
Debt Service	430,166	430,166	-
Capital Projects	220,829	221,129	300
Enterprise	<u>73,710</u>	<u>73,710</u>	<u>-</u>
Total	\$ <u>5,969,012</u>	\$ <u>6,128,694</u>	\$ <u>159,682</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 3,729,841	\$ 3,708,615	\$ 21,226
Special Revenue	1,448,977	1,448,013	964
Debt Service	431,530	431,529	1
Capital Projects	434,622	393,077	41,545
Enterprise	<u>61,060</u>	<u>61,060</u>	<u>-</u>
Total	\$ <u>6,106,030</u>	\$ <u>6,042,294</u>	\$ <u>63,736</u>

The Village budgets for advances out through the certificate of estimated resources. As such, the budgeted and actual receipts account for the advances out in the above tables.

Note 4: 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. Cuyahoga County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2017

Note 5: Local Income Tax

The Village levies a municipal income tax of 2% 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.

Note 6: Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Income Tax Revenue Special Purpose Bonds, Series 2015	\$ 5,075,000	4.00-4.125%
Various Purpose Capital Improvement General Obligation Bonds (Limited Tax), Series 2016	950,000	4.00%
NOPEC Loan payable	<u>315,000</u>	5.25%
Total	<u>\$ 6,340,000</u>	

In 2015, the Village issued \$5,175,000 in bonds for the purpose of acquiring, constructing and improving a new municipal building and police station.

In 2016, the Village borrowed \$325,000 from Northeast Ohio Public Energy Council (NOPEC) for the replacement of the roof, installation of ceiling fans and other energy related or efficiency programs for the new fire station and service department. This loan is repayable in 28 semi-annual installments ranging from \$10,000 to \$15,000. The loan expires in May of 2031.

In 2016, the Village issued \$1,000,000 in bonds for the purpose of replacing sidewalks, replacing a parking lot at Kathy Edwards Village Park, resurfacing roads within the Village and renovating the Village fire station and service garage.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2017

Note 6: Debt (continued)

Future principal payments of the above debt are scheduled as follows:

<u>Year</u>	<u>Special Purpose Bonds</u>	<u>General Obligation Bonds</u>	<u>NOPEC Loan</u>
2018	\$ 100,000	\$ 50,000	\$ 20,000
2019	105,000	55,000	20,000
2020	110,000	55,000	20,000
2021	115,000	60,000	20,000
2022	120,000	60,000	20,000
2023-2027	675,000	345,000	110,000
2028-2032	810,000	325,000	105,000
2033-2037	995,000	-	-
2038-2042	1,200,000	-	-
2043-2045	845,000	-	-
Totals	\$ <u>5,075,000</u>	\$ <u>950,000</u>	\$ <u>315,000</u>

Note 7: Risk Management

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability,
- vehicles, and
- errors and omissions.

Note 8: 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 ORC. 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 nearly 200 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 thirteen-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting NOPEC at 31360 Solon Road, Suite 33, Solon, Ohio 44139.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2017

Note 9: Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most employees of the Village belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The ORC prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The ORC also prescribes contribution rates. 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, 2017.

Ohio Police and Fire Retirement System

The Village's certified fire fighters and full-time police officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The ORC prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The ORC also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. 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. The Village has paid all contributions required through December 31, 2017.

Note 10: Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan 1.0% during calendar year 2017. OP&F contributes 0.5% to fund these benefits.

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Village of Newburgh Heights

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

For the year ended December 31, 2016

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash receipts:					
Property and other local taxes	\$ 88,107	\$ 471,343	\$ -	\$ -	\$ 559,450
Municipal income tax	451,087	-	335,498	-	786,585
Intergovernmental	76,621	466,075	-	-	542,696
Charges for services	58,432	66,652	-	-	125,084
Fines, licenses, and permits	2,034,627	53,173	-	-	2,087,800
Earnings on investment	3	-	-	553	556
Miscellaneous	57,018	1,699	-	-	58,717
Total cash receipts	2,765,895	1,058,942	335,498	553	4,160,888
Cash disbursements:					
Current:					
Security of persons and property	910,402	751,342	-	-	1,661,744
Public health services	8,495	-	-	-	8,495
Leisure time activities	18,100	-	-	-	18,100
Community environment	-	-	-	58,651	58,651
Basic utility services	39,324	-	-	-	39,324
Transportation	146,554	73,147	-	-	219,701
General government	947,105	42,037	46,200	235,844	1,271,186
Capital Outlay	20,637	295,579	-	4,795,202	5,111,418
Debt service:					
Principal retirement	33,743	19,891	-	-	53,634
Interest and fiscal charges	6,249	1,890	208,694	-	216,833
Total cash disbursements	2,130,609	1,183,886	254,894	5,089,697	8,659,086
Excess of receipts over (under) disbursements	635,286	(124,944)	80,604	(5,089,144)	(4,498,198)
Other financing receipts (disbursements)					
Sale of bonds	-	-	46,760	1,325,000	1,371,760
Sale of capital assets	24,560	7,450	-	250,000	282,010
Advances in	-	9,200	-	-	9,200
Advances out	(9,200)	-	-	-	(9,200)
Transfers in	-	142,003	-	-	142,003
Transfers out	(142,003)	-	-	-	(142,003)
Total other financing receipts (disbursements)	(126,643)	158,653	46,760	1,575,000	1,653,770
Net change in fund cash balances	508,643	33,709	127,364	(3,514,144)	(2,844,428)
Fund cash balances, January 1	(478,159)	72,604	208,069	3,716,702	3,519,216
Fund cash balances, December 31:					
Restricted	-	106,313	335,433	202,558	644,304
Assigned	1,312	-	-	-	1,312
Unassigned (deficit)	29,172	-	-	-	29,172
Fund cash balances, December 31	\$ 30,484	\$ 106,313	\$ 335,433	\$ 202,558	\$ 674,788

See accompanying notes to the basic financial statements

Village of Newburgh Heights

Statement of Receipts, Disbursements and Changes in Fund Balance (Regulatory Cash Basis) – All Proprietary and Fiduciary Fund Types

For the year ended December 31, 2016

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>
	<u>Enterprise</u>	<u>Agency</u>
Operating cash receipts:		
Charges for services	\$ 92,628	\$ -
Mayor's court receipts	<u>-</u>	<u>334,885</u>
Total operating cash receipts	<u>92,628</u>	<u>334,885</u>
Operating cash disbursements:		
Contractual services	92,628	-
Mayor's court disbursements	<u>-</u>	<u>332,761</u>
Total operating cash disbursements	<u>92,628</u>	<u>332,761</u>
Net change in fund cash balances	-	2,124
Fund cash balances, January 1	<u>-</u>	<u>28,379</u>
Fund cash balances, December 31	\$ <u><u>-</u></u>	\$ <u><u>30,503</u></u>

See accompanying notes to the basic financial statements

Village of Newburgh Heights

Notes to the Financial Statements

December 31, 2016

Note 1: Summary of Significant Accounting Policies

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 police, fire and emergency medical services, park operations, street maintenance and repairs, and general administrative services. The Village contracts with the City of Cleveland to provide refuse collections.

The Village participates in a jointly governed organization. Note 8 to the financial statements provides additional information for this entity.

Jointly governed organization:

Northeast Ohio Public Energy Council (NOPEC)

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

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.

Deposits and Investments

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

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

Village of Newburgh Heights

Notes to the Financial Statements

December 31, 2016

Note 1: Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

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:

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

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

Fire Department Operating Fund – This fund receives levy proceeds to pay fire and EMS department wages, salaries, and operating expenses.

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 Fund:

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 Fund:

Municipal Building Construction Fund – This fund receives proceeds of general obligation bonds. The proceeds are being used to construct a new municipal building.

5) Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of provided certain goods or services through user charges. The Village had the following Enterprise Fund:

Refuse Collection Fund – This fund accounts for the provision of refuse collection services to the residents and commercial users within the Village.

Village of Newburgh Heights

Notes to the Financial Statements

December 31, 2016

Note 1: Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

6) 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. The Village has no trust funds.

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 accounts for the collection and distribution of Mayor's Court fines, fees, and bonds.

Budgetary Process

The Ohio Revised Code (ORC) 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 and function level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

3) Encumbrances

The ORC 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 2016 budgetary activity appears in Note 3.

Village of Newburgh Heights

Notes to the Financial Statements

December 31, 2016

Note 1: Summary of Significant Accounting Policies (continued)

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.

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.

Village of Newburgh Heights

Notes to the Financial Statements

December 31, 2016

Note 1: Summary of Significant Accounting Policies (continued)

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.

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.

Note 2: Equity in Pooled Deposits and Investments

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

	<u>2016</u>
Demand deposits	\$ <u>705,291</u>
Total	\$ <u><u>705,291</u></u>

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institutions' public entity deposit pool.

Note 3: Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

<u>2016 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 2,776,291	\$ 2,790,455	\$ 14,164
Special Revenue	1,236,974	1,217,595	(19,379)
Debt Service	382,258	382,258	-
Capital Projects	1,575,500	1,575,553	53
Enterprise	<u>92,628</u>	<u>92,628</u>	-
Total	\$ <u><u>6,063,651</u></u>	\$ <u><u>6,058,489</u></u>	\$ <u><u>(5,162)</u></u>

Village of Newburgh Heights

Notes to the Financial Statements

December 31, 2016

Note 3: Budgetary Activity (continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 2,275,194	\$ 2,273,924	\$ 1,270
Special Revenue	1,189,965	1,184,840	5,125
Debt Service	254,894	254,894	-
Capital Projects	5,178,712	5,131,239	47,473
Enterprise	92,628	92,628	-
Total	\$ <u>8,991,393</u>	\$ <u>8,937,525</u>	\$ <u>53,868</u>

Note 4: 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.

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

Note 5: Local Income Tax

The Village levies a municipal income tax of two 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.

Village of Newburgh Heights

Notes to the Financial Statements

December 31, 2016

Note 6: Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Income Tax Revenue Special Purpose Bonds, Series 2015	\$ 5,175,000	4.00-4.125%
Various Purpose Capital Improvement General Obligation Bonds (Limited Tax), Series 2016	1,000,000	4.00%
NOPEC Loan payable	325,000	5.25%
Total	\$ 6,500,000	

In 2015, the Village issued \$5,175,000 in bonds for the purpose of acquiring, constructing and improving a new municipal building and police station.

In 2016, the Village borrowed \$325,000 from Northeast Ohio Public Energy Council (NOPEC) for the replacement of the roof, installation of ceiling fans and other energy related or efficiency programs for the new fire station and service department. This loan is repayable in 28 semi-annual installments ranging from \$10,000 to \$15,000. The loan expires in May of 2031.

In 2016, the Village issued \$1,000,000 in bonds for the purpose of replacing sidewalks, replacing a parking lot at Kathy Edwards Village Park, resurfacing roads within the Village and renovating the Village fire station and service garage.

Future principal payments of the above debt are scheduled as follows:

<u>Year</u>	<u>Special Purpose Bonds</u>	<u>General Obligation Bonds</u>	<u>NOPEC Loan</u>
2017	\$ 100,000	\$ 50,000	\$ 10,000
2018	100,000	50,000	20,000
2019	105,000	55,000	20,000
2020	110,000	55,000	20,000
2021	115,000	60,000	20,000
2022-2026	650,000	330,000	100,000
2027-2031	780,000	400,000	135,000
2032-2036	955,000	-	-
2037-2041	1,155,000	-	-
2041-2045	1,105,000	-	-
Totals	\$ 5,175,000	\$ 1,000,000	\$ 325,000

Village of Newburgh Heights

Notes to the Financial Statements

December 31, 2016

Note 7: Risk Management

The Village has obtained commercial insurance for the following risks:

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

Note 8: 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 ORC. 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 nearly 200 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 NOPEC at 31320 Solon Road, Suite 20, Solon, Ohio 44139.

Note 9: Interfund Balances

Advances

Outstanding advances at December 31, 2016 consisted of \$9,200 advanced from the general fund to the CDBG fund to provide working capital for operations of the grant fund.

Village of Newburgh Heights

Notes to the Financial Statements

December 31, 2016

Note 10: Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most employees of the Village belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The ORC prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The ORC also prescribes contribution rates. 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, 2016.

Ohio Police and Fire Retirement System

The Village's certified fire fighters and full-time police officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The ORC prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The ORC also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. 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. The Village has paid all contributions required through December 31, 2016.

Note 11: Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits, and OP&F contributes 0.5% to fund these benefits.

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Dave Yost • Auditor of State

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

Village of Newburgh Heights
Cuyahoga County
3801 Harvard Road
Newburgh Heights, Ohio 44105

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Newburgh Heights, Cuyahoga County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2018, wherein we noted the Village followed financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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
Columbus, Ohio

November 9, 2018



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
NOVEMBER 27, 2018