



**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004



**Auditor of State
Betty Montgomery**

VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY

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**Auditor of State
Betty Montgomery**

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 a February 2, 2005 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 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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Betty Montgomery
Auditor of State

September 27, 2006

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Auditor of State Betty Montgomery

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, Ohio, (the Village) as of and for the years ended December 31, 2005 and December 31, 2004. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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, 2005 and December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Newburgh Heights, Cuyahoga County, Ohio, as of December 31, 2005 and December 31, 2004, 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 and reserves for encumbrances of the Village of Newburgh Heights, Cuyahoga County, Ohio, as of December 31, 2005 and December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2006, 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.



Betty Montgomery
Auditor of State

September 27, 2006

**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 TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$836,849	\$270,376	\$0	\$7,289	\$1,114,514
Intergovernmental Receipts	152,683	196,236	0	960	349,879
Charges for Services	118,884	34,713	0	0	153,597
Fines, Licenses, and Permits	345,884	54,024	0	0	399,908
Earnings on Investments	3,555	0	0	0	3,555
Miscellaneous	43,901	27,397	0	0	71,298
Total Cash Receipts	1,501,756	582,746	0	8,249	2,092,751
Cash Disbursements:					
Current:					
Security of Persons and Property	915,458	333,011	0	8,697	1,257,166
Public Health Services	1,845	0	0	0	1,845
Leisure Time Activities	14,621	0	0	0	14,621
Community Environment	0	19,256	9,079	0	28,335
Basic Utility Services	95,427	0	0	0	95,427
Transportation	87,474	87,429	0	0	174,903
General Government	394,460	24,038	14,242	0	432,740
Capital Outlay	12,244	110,451	0	0	122,695
Total Cash Disbursements	1,521,529	574,185	23,321	8,697	2,127,732
Total Receipts Over/(Under) Disbursements	(19,773)	8,561	(23,321)	(448)	(34,981)
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	4,586	0	0	0	4,586
Transfers-In	0	11,759	0	0	11,759
Transfers-Out	(11,759)	0	0	0	(11,759)
Total Other Financing Receipts/(Disbursements)	(7,173)	11,759	0	0	4,586
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(26,946)	20,320	(23,321)	(448)	(30,395)
Fund Cash Balances, January 1, 2005	39,091	56,803	61,264	457	157,615
Fund Cash Balances, December 31, 2005	\$12,145	\$77,123	\$37,943	\$9	\$127,220
Reserves for Encumbrances, December 31, 2005	\$18,205	\$4,822	\$888	\$0	\$23,915

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

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	FIDUCIARY FUND TYPE
	Agency
Operating Cash Receipts:	
Mayor's Court	\$428,337
Total Operating Cash Receipts	428,337
Operating Cash Disbursements:	
Mayor's Court	431,017
Total Operating Cash Disbursements	431,017
Operating Income/(Loss)	(2,680)
Fund Cash Balance, January 1, 2005	5,996
Fund Cash Balance, December 31, 2005	\$3,316

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 - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$823,295	\$136,129	\$0	\$7,296	\$966,720
Intergovernmental Receipts	155,836	0	0	0	155,836
Charges for Services	124,622	136,541	0	974	262,137
Fines, Licenses, and Permits	386,595	19,421	0	0	406,016
Earnings on Investments	1,404	62,505	0	0	63,909
Miscellaneous	26,654	0	60,432	0	87,086
Total Cash Receipts	1,518,406	354,596	60,432	8,270	1,941,704
Cash Disbursements:					
Current:					
Security of Persons and Property	862,060	178,857	0	8,099	1,049,016
Public Health Services	1,870	0	0	0	1,870
Leisure Time Activities	11,770	0	0	0	11,770
Community Environment	0	24,098	40,802	0	64,900
Basic Utility Services	84,132	0	0	0	84,132
Transportation	99,247	80,081	11,599	0	190,927
General Government	442,671	28,995	1,300	0	472,966
Capital Outlay	14,872	78,102	0	0	92,974
Total Cash Disbursements	1,516,622	390,133	53,701	8,099	1,968,555
Total Receipts Over/(Under) Disbursements	1,784	(35,537)	6,731	171	(26,851)
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	2,108	100	0	0	2,208
Total Other Financing Receipts/(Disbursements)	2,108	100	0	0	2,208
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,892	(35,437)	6,731	171	(24,643)
Fund Cash Balances, January 1, 2004	35,199	92,240	54,533	286	182,258
Fund Cash Balances, December 31, 2004	\$39,091	\$56,803	\$61,264	\$457	\$157,615
Reserves for Encumbrances, December 31, 2004	\$19,043	\$2,709	\$473	\$0	\$22,225

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

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	FIDUCIARY FUND TYPE
	Agency
Operating Cash Receipts:	
Mayor's Court	\$499,579
Total Operating Cash Receipts	499,579
Operating Cash Disbursements:	
Mayor's Court	501,766
Total Operating Cash Disbursements	501,766
Operating Income/(Loss)	(2,187)
Fund Cash Balance, January 1, 2004	8,183
Fund Cash Balance, December 31, 2004	\$5,996

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, 2005 AND 2004**

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, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs 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's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

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

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Villages utilizes a checking account and a savings account. The Village does not have any investments.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds 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:

Community Development Block Grant Fund - This fund receives federal grant money for the improvement of the community.

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, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

LTV Settlement Fund – This fund is used to account for expenditures relating to various community upgrades.

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund 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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	<u>\$130,536</u>	<u>\$163,611</u>
Total deposits	<u><u>\$130,536</u></u>	<u><u>\$163,611</u></u>

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.

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and December 31, 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,611,273	\$1,506,342	(\$104,931)
Special Revenue	703,971	594,505	(109,466)
Capital Projects	111,000	0	(111,000)
Expendable Trust	8,882	8,249	(633)
Total	\$2,435,126	\$2,109,096	(\$326,030)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,557,211	\$1,551,493	\$5,718
Special Revenue	581,718	579,007	2,711
Capital Projects	24,682	24,209	473
Expendable Trust	8,697	8,697	0
Total	\$2,172,308	\$2,163,406	\$8,902

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,540,417	\$1,520,514	(\$19,903)
Special Revenue	465,713	354,696	(111,017)
Capital Projects	114,699	60,432	(54,267)
Expendable Trust	8,508	8,270	(238)
Total	\$2,129,337	\$1,943,912	(\$185,425)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,549,104	\$1,535,665	\$13,439
Special Revenue	403,758	392,842	10,916
Capital Projects	54,645	54,174	471
Expendable Trust	8,099	8,099	0
Total	\$2,015,606	\$1,990,780	\$24,826

Contrary to Ohio law, the Community Development Block Grant fund, a Special Revenue fund type, had a cash deficit fund balance of \$8,993 at December 31, 2005 and \$38,471 at December 31, 2004.

Contrary to Ohio law, the Village did not properly certify the availability of funds.

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

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

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 Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2005 and 2004. The Village has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

8. RELATED PARTY TRANSACTION

The son of the Village's Police Chief is the office manager at Suburban Car and Truck, a car repair shop where the Village sends their police cars for maintenance and repairs. The Village paid Suburban Car and Truck \$14,393 in 2005 and \$22,360 in 2004.

9. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2005 or 2004. Financial information can be obtained by contacting NOPEC.

10. SUBSEQUENT EVENT

During September 2006, the Mayor and the Police Chief resigned their positions with the Village.



Auditor of State Betty Montgomery

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, Ohio, (the Village) as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated September 27, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 27, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the Village's management dated September 27, 2006, we reported another matter related to noncompliance we deemed immaterial.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

Village of Newburgh Heights
Cuyahoga County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 27, 2006

VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER	2005-001
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Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

Finding Number	2005-001
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(Continued)

Nineteen percent of the transactions tested from 2005 and five percent of the transactions tested from 2004 were not certified by the Clerk-Treasurer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client's Response:

The Village did not get purchase orders until after they received the invoice.

Finding Number	2005-002
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Ohio Rev. Code § 5705.10 provides, in part, that monies paid into any fund shall be used only for the purposes for which such fund was established.

The Community Development Block Grant (CDBG) fund had a negative cash fund balance of \$8,993 and \$38,471 as of December 31, 2005 and December 31, 2004 respectively, indicating that money from one fund was used to cover the expenses of another fund, and consequently, that money paid into a fund was not used for the purposes for which the fund had been established.

This weakness could cause a loss of accountability over the financial activity of the Village including cash disbursements, budgeting and financial reporting. In addition, the negative cash fund balances could put a financial burden on the Village if not adequately monitored and/or corrected on a timely basis.

We recommend the Village review cash fund balances on a monthly basis to determine if any negative balances exist. If a negative balance occurs, the Village should advance money to that fund from the General Fund.

Client's Response:

The Village did not request the reimbursement in a timely manner.

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2003-001	Ohio Revised Code Section 5705.10, Negative Fund Balances	No	Not Corrected - Reissued as 2005-002
2003-002	Ohio Revised Code Section 5705.41(D)(1), Failure to certify funds	No	Not Corrected - Reissued as 2005-001



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
OCTOBER 19, 2006**