



Dave Yost • Auditor of State



**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Newburgh Heights, Cuyahoga County, (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***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 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 opinion.

***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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2012 and 2012, or changes in financial position 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 combined cash balances of the Village of Newburgh Heights, Cuyahoga County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements 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 Matters***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2014, 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

June 11, 2014

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**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$118,052	\$361,360	\$0	\$0	\$479,412
Municipal Income Tax	626,414	0	0	0	626,414
Intergovernmental	26,593	720,305	0	0	746,898
Charges for Services	144,831	60,875	0	0	205,706
Fines, Licenses and Permits	702,785	30,740	0	0	733,525
Earnings on Investments	82	0	0	0	82
Miscellaneous	169,459	10	0	0	169,469
<i>Total Cash Receipts</i>	<u>1,788,216</u>	<u>1,173,290</u>	<u>0</u>	<u>0</u>	<u>2,961,506</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	812,968	554,847	0	0	1,367,815
Public Health Services	2,051	0	0	0	2,051
Leisure Time Activities	17,514	0	0	0	17,514
Community Environment	0	0	0	3,723	3,723
Basic Utility Services	130,697	0	0	0	130,697
Transportation	213,199	97,753	0	0	310,952
General Government	787,359	566,344	0	0	1,353,703
Debt Service:					
Principal Retirement	0	0	370,000	0	370,000
Interest and Fiscal Charges	0	0	10,213	0	10,213
<i>Total Cash Disbursements</i>	<u>1,963,788</u>	<u>1,218,944</u>	<u>380,213</u>	<u>3,723</u>	<u>3,566,668</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(175,572)</u>	<u>(45,654)</u>	<u>(380,213)</u>	<u>(3,723)</u>	<u>(605,162)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Notes	0	0	350,000	0	350,000
Sale of Capital Assets	468,892	6,458	0	0	475,350
Transfers In	0	96,010	30,213	0	126,223
Transfers Out	(126,223)	0	0	0	(126,223)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>342,669</u>	<u>102,468</u>	<u>380,213</u>	<u>0</u>	<u>825,350</u>
<i>Net Change in Fund Cash Balances</i>	167,097	56,814	0	(3,723)	220,188
<i>Fund Cash Balances, January 1</i>	<u>(46,175)</u>	<u>90,150</u>	<u>0</u>	<u>5,137</u>	<u>49,112</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	146,962	0	1,414	148,376
Assigned	251	0	0	0	251
Unassigned (Deficit)	120,671	0	0	0	120,671
<i>Fund Cash Balances, December 31</i>	<u>\$120,922</u>	<u>\$146,962</u>	<u>\$0</u>	<u>\$1,414</u>	<u>\$269,298</u>

VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Mayor's Court Receipts	\$415,972
<i>Total Operating Cash Receipts</i>	<u>415,972</u>
<b>Operating Cash Disbursements</b>	
Mayor's Court Disbursements	<u>432,299</u>
<i>Total Operating Cash Disbursements</i>	<u>432,299</u>
<i>Net Change in Fund Cash Balances</i>	(16,327)
<i>Fund Cash Balances, January 1</i>	<u>41,627</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$25,300</u></u>

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

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$179,517	\$455,038	\$0	\$0	\$634,555
Municipal Income Tax	727,946	0	0	0	727,946
Intergovernmental	24,679	145,968	0	0	170,647
Charges for Services	104,889	122,933	0	0	227,822
Fines, Licenses and Permits	384,967	32,912	0	0	417,879
Earnings on Investments	37	0	0	0	37
Miscellaneous	187,582	29,643	0	0	217,225
<i>Total Cash Receipts</i>	<u>1,609,617</u>	<u>786,494</u>	<u>0</u>	<u>0</u>	<u>2,396,111</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	554,100	645,168	0	0	1,199,268
Public Health Services	2,226	0	0	0	2,226
Leisure Time Activities	15,341	0	0	0	15,341
Basic Utility Services	116,054	0	0	0	116,054
Transportation	139,842	118,859	0	0	258,701
General Government	717,603	34,164	0	0	751,767
Debt Service:					
Principal Retirement	0	0	395,000	0	395,000
Interest and Fiscal Charges	0	0	9,848	0	9,848
<i>Total Cash Disbursements</i>	<u>1,545,166</u>	<u>798,191</u>	<u>404,848</u>	<u>0</u>	<u>2,748,205</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>64,451</u>	<u>(11,697)</u>	<u>(404,848)</u>	<u>0</u>	<u>(352,094)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Notes	0	0	370,000	0	370,000
Transfers In	0	2,800	34,848	0	37,648
Transfers Out	(6,925)	(27,800)	0	(2,923)	(37,648)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(6,925)</u>	<u>(25,000)</u>	<u>404,848</u>	<u>(2,923)</u>	<u>370,000</u>
<i>Net Change in Fund Cash Balances</i>	57,526	(36,697)	0	(2,923)	17,906
<i>Fund Cash Balances, January 1</i>	<u>(103,701)</u>	<u>126,847</u>	<u>0</u>	<u>8,060</u>	<u>31,206</u>
<b>Fund Cash (Deficit) Balances, December 31</b>					
Restricted	0	116,254	0	5,137	121,391
Unassigned (Deficit)	(46,175)	(26,104)	0	0	(72,279)
<i>Fund Cash (Deficit) Balances, December 31</i>	<u>(\$46,175)</u>	<u>\$90,150</u>	<u>\$0</u>	<u>\$5,137</u>	<u>\$49,112</u>

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

VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Mayor's Court Receipts	\$479,073
<i>Total Operating Cash Receipts</i>	<u>479,073</u>
<b>Operating Cash Disbursements</b>	
Mayor's Court Disbursements	<u>461,665</u>
<i>Total Operating Cash Disbursements</i>	<u>461,665</u>
<i>Net Change in Fund Cash Balances</i>	17,408
<i>Fund Cash Balances, January 1</i>	<u>24,219</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$41,627</u></u>

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

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY  
DECEMBER 31, 2013 & 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Newburgh Heights, Cuyahoga County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides various services including 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 11 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.

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

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

**D. Fund Accounting**

The Village uses fund accounting to segregate cash 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  
CUYAHOGA COUNTY  
DECEMBER 31, 2013 & 2012**

**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. 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.

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY  
DECEMBER 31, 2013 & 2012**

**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 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 Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2012 and 2013 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY  
DECEMBER 31, 2013 & 2012**

**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.

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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

**2. Equity in Pooled Deposits and Investments**

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

	2013	2012
Demand deposits	\$294,598	\$90,739
Total deposits and investments	\$294,598	\$90,739

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.



**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY  
DECEMBER 31, 2013 & 2012**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and December 31, 2012 follows:

**2013 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,238,285	\$2,257,108	\$18,823
Special Revenue	1,316,115	1,275,758	(40,357)
Debt Service	380,213	380,213	0
Capital Projects	0	0	0
Total	\$3,934,613	\$3,913,079	(\$21,534)

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,096,003	\$2,090,262	\$5,741
Special Revenue	1,344,624	1,218,944	125,680
Debt Service	380,213	380,213	0
Capital Projects	3,725	3,723	2
Total	\$3,824,565	\$3,693,142	\$131,423

**2012 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,043,090	\$1,609,617	(\$433,473)
Special Revenue	796,055	789,294	(6,761)
Debt Service	405,000	404,848	(152)
Capital Projects	0	0	0
Total	\$3,244,145	\$2,803,759	(\$440,386)

**2012 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,621,795	\$1,555,433	\$66,362
Special Revenue	880,625	833,374	47,251
Debt Service	405,000	404,848	152
Capital Projects	2,923	2,923	0
Total	\$2,910,343	\$2,796,578	\$113,765

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY  
DECEMBER 31, 2013 & 2012**

**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.

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

**6. Debt**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Real Estate Acquisition General Obligation Bond Anticipation Notes, Series 2013	\$350,000	3.15%
Total	\$350,000	

In 2012 the Village issued \$370,000 in Notes in anticipation of the issuance of bonds for the purpose of acquiring and improving real estate for municipal purposes. In 2013 the Village rolled over the 2012 Notes into \$350,000 in Notes in anticipation of the issuance of bonds for the purpose of acquiring and improving real estate for municipal purposes.

**7. Retirement Systems**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10% of their wages. For 2012 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages, respectively. For 2013 and 2012, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY  
DECEMBER 31, 2013 & 2012**

**9. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**10. Contingent Liabilities**

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

**11. Jointly Governed Organizations**

Northeast Ohio Public Energy Council – The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 174 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities. NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the ten-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

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**VILLAGE OF NEWBURGH HEIGHTS  
 CUYAHOGA COUNTY  
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
 FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>FEDERAL GRANTOR</u> <i>Pass-Through Grantor</i>	Federal CFDA Number	Pass Through Entity Number	Expenditures
Program Title			
<b><u>U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through Cuyahoga County</i>			
Community Development Block Grants			
E.53rd Street Sewer Separation Project	14.218	AG1200278	\$ 350,000
Washington Park Blvd. Project	14.218	AG1300156	<u>150,000</u>
Total Community Development Block Grants			<u>500,000</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>500,000</u></b>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Passed Through Ohio Department of Public Safety</i>			
Federal Emergency Management Agency Disaster Grants			
Public Assistance (Presidentially Declared Disasters)	97.036	DR-4098-OH	<u>28,653</u>
<b>Total U.S. Department of Homeland Security</b>			<b><u>28,653</u></b>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b><u><u>\$ 528,653</u></u></b>

See Notes to the Federal Awards Expenditures Schedule.

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Village of Newburgh Heights (the Government's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.



# 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  
4000 Washington Park Boulevard  
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, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 11, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

***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*.

***Entity's Response to Findings***

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

***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 communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 11, 2014





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Village Council:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Village of Newburgh Heights (the Village) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village of Newburgh Heights's major federal program for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Village's major federal program.

### ***Management's Responsibility***

The Village's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the Village's compliance for each of the Village's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Village of Newburgh Heights complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

**Report on Internal Control Over Compliance**

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 11, 2014

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2013 AND 2012**

<b>1. SUMMARY OF AUDITOR'S RESULTS DECEMBER 31, 2013</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 14.218 Community Development Block Grants
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS DECEMBER 31, 2013 AND 2012</b>
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**FINDING NUMBER 2013-001**

**Material Weakness – Financial Reporting**

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Ohio Rev. Code §733.28,states “The village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived therefrom, and of all taxes and assessments.” Additionally, Ohio Admin. Code§117-2-02(A), states that all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The following deficiencies were noted during the 2012:

- The Village did not segregate transfers out from general government expenditures in the financial statements in the amounts of \$6,925, \$27,800, and \$2,923 for the General, Special Revenue, and Capital Projects Funds respectively, resulting in the fiscal officer making subsequent adjustments to the financial statements.
- The Village reported Debt Service Fund Transfers In of \$34,848 as Debt Service Fund Sale of Notes, resulting in the fiscal officer making a subsequent adjustment to the financial statements.
- The Village reported Debt Service Fund Interest and Fiscal Charges of \$9,848 as Debt Service Fund Principal Retirement, resulting in the fiscal officer making a subsequent adjustment to the financial statements.
- The Village reported General Fund Capital Outlay expenses of \$42,234 and Special Revenue Funds Capital Outlay Expenses of \$46,810 as General Government expenses
- The Village reported General Fund Principal Retirement expenses of \$8,183 as General Government expenses.
- The Village reported General Fund Intergovernmental Revenue of \$81,140 and General Fund Income Tax Revenue of \$2,220 as General Fund Property Tax Revenue.
- The Village improperly reported Special Revenue Funds Intergovernmental Revenue of \$27,623 as Special Revenue Funds Property Tax Revenue

The following deficiencies were noted during the 2013:

- The Village reported General Fund Capital Outlay expenses of \$100,259 and Special Revenue Funds Capital Outlay Expenses of \$47,855 as General Government expenses
- The Village improperly reported General Fund Principal Retirement expenses of \$8,183 as General Government expenses
- The Village improperly reported General Fund Intergovernmental Revenue of \$35,578 as General Fund Property Tax Revenue
- The Village improperly reported Special Revenue Funds Intergovernmental Revenue of \$24,132 as Special Revenue Funds Property Tax Revenue

VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2013 AND 2012  
(Continued)

FINDING NUMBER 2013-001 (Continued)

**Material Weakness – Financial Reporting (Continued)**

The Village did not have procedures in place to maintain compliance with the requirements denoted above. Failure to accurately prepare and reconcile the accounting records could: 1) reduce the accountability over Village funds, 2) reduce the Village Council's ability to monitor financial activity and make informed financial decisions, 3) increase the likelihood that monies will be misappropriated and not detected, and 4) increase the likelihood that the Village's financial statements will be misstated.

We recommend the Village adopt policies and procedures for controls over the recording of financial transactions into proper account codes within the Village accounting system, and over financial reporting including reconciliations to increase assurance that the information accurately reflects the activity of the Village; thereby, increasing the reliability of the financial data.

*Officials' Response:* The Village believes this is largely the result in turnover of administrations and the delay in the completion of the 2010-2011 audit cycle. Because fund balances are not at issue, and the State's concerns have been identified, the village will have no issue complying moving forward, furthermore, as evidenced it was not a pattern this had not been cited previously.

<p><b>3. FINDINGS FOR FEDERAL AWARDS DECEMBER 31, 2013</b></p>
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None

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2013 & 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2011-01	Noncompliance ORC 5705.10 Negative Cash Balances	No	Partially corrected and placed in management letter
2011-02	Noncompliance ORC 5705.41(B) Expenditures Plus Encumbrances vs. Appropriations	No	Partially corrected and placed in management letter
2011-03	Noncompliance ORC 5705.39 Appropriations Exceeding Estimated Resources	Yes	Finding no longer valid
2011-04	Noncompliance and Significant Deficiency ORC 5705.14-.16 Illegal Transfer	Yes	Finding no longer valid
2011-05	Noncompliance and Material Weakness ORC 2303.201, 1907.261, and 1901.261 Mayor's Court Computerization Funds	Yes	Finding no longer valid
2011-06	Noncompliance ORC 2925.03 and 2981.13 Law Enforcement Trust Fund	Yes	Finding no longer valid
2011-07	Material Weakness Financial Reporting	No	Repeated as Finding 2013-001



# 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  
JUNE 24, 2014**