



Dave Yost • Auditor of State



VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2015 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2015 .....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2014 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2014 .....	6
Notes to the Financial Statements .....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	19

**This page intentionally left blank.**



# 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 of the cash balances, receipts and disbursements by fund type and related notes of the Village of Newburgh Heights, Cuyahoga County, (the Village) as of and for the years ended December 31, 2015 and 2014.

### ***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 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.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801  
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

[www.ohioauditor.gov](http://www.ohioauditor.gov)

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, 2015 and 2014, or 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 combined cash balances of the Village of Newburgh Heights, Cuyahoga County as of December 31, 2015 and 2014, 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.

***Emphasis of Matter***

As discussed in Note 10 to the financial statements, the Village has suffered recurring losses from operations and has a net position deficiency. Note 10 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2016, 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.



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

October 7, 2016

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$81,231	\$490,438	\$0	\$0	\$571,669
Municipal Income Tax	504,694	0	124,862	0	629,556
Intergovernmental	81,033	310,624	0	0	391,657
Charges for Services	54,436	66,156	0	0	120,592
Fines, Licenses and Permits	948,316	24,436	0	0	972,752
Earnings on Investments	30	0	0	18	48
Miscellaneous	74,462	7,806	0	1	82,269
<i>Total Cash Receipts</i>	<u>1,744,202</u>	<u>899,460</u>	<u>124,862</u>	<u>19</u>	<u>2,768,543</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	733,076	704,857	0	0	1,437,933
Public Health Services	8,495	0	0	0	8,495
Leisure Time Activities	16,299	0	0	0	16,299
Community Environment	0	0	0	14,995	14,995
Basic Utility Services	59,347	0	0	0	59,347
Transportation	182,872	76,583	0	0	259,455
General Government	771,893	174,149	0	474,190	1,420,232
Capital Outlay	147,945	80,046	0	404,100	632,091
Debt Service:					
Principal Retirement	108,683	26,354	513,000	0	648,037
Interest and Fiscal Charges	4,546	2,470	85,388	0	92,404
<i>Total Cash Disbursements</i>	<u>2,033,156</u>	<u>1,064,459</u>	<u>598,388</u>	<u>893,285</u>	<u>4,589,288</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(288,954)</u>	<u>(164,999)</u>	<u>(473,526)</u>	<u>(893,266)</u>	<u>(1,820,745)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Bonds	0	0	667,346	4,507,654	5,175,000
Sale of Capital Assets	19,427	0	0	0	19,427
Transfers In	0	200,100	14,249	0	214,349
Transfers Out	(214,349)	0	0	0	(214,349)
Other Financing Sources	0	0	0	83,299	83,299
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(194,922)</u>	<u>200,100</u>	<u>681,595</u>	<u>4,590,953</u>	<u>5,277,726</u>
<i>Net Change in Fund Cash Balances</i>	<u>(483,876)</u>	<u>35,101</u>	<u>208,069</u>	<u>3,697,687</u>	<u>3,456,981</u>
<i>Fund Cash Balances, January 1</i>	<u>5,717</u>	<u>37,503</u>	<u>0</u>	<u>19,015</u>	<u>62,235</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	176,197	208,069	3,808,102	4,192,368
Assigned	0	0	0	0	0
Unassigned (Deficit)	(478,159)	(103,593)	0	(91,400)	(673,152)
<i>Fund Cash Balances, December 31</i>	<u>(\$478,159)</u>	<u>\$72,604</u>	<u>\$208,069</u>	<u>\$3,716,702</u>	<u>\$3,519,216</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)  
PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>
	<u>Enterprise</u>	<u>Agency</u>
<b>Operating Cash Receipts</b>		
Charges for Services	\$90,129	\$0
Mayor's Court Receipts	0	402,439
<i>Total Operating Cash Receipts</i>	<u>90,129</u>	<u>402,439</u>
<b>Operating Cash Disbursements</b>		
Mayor's Court Disbursements	0	410,521
Contractual Services	90,129	0
<i>Total Operating Cash Disbursements</i>	<u>90,129</u>	<u>410,521</u>
<i>Operating Income (Loss)</i>	<u>0</u>	<u>(8,082)</u>
<i>Net Change in Fund Cash Balances</i>	0	(8,082)
<i>Fund Cash Balances, January 1</i>	<u>0</u>	<u>36,461</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$0</u></u>	<u><u>\$28,379</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)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$90,620	\$500,111	\$0	\$0	\$590,731
Municipal Income Tax	617,359	0	0	0	617,359
Intergovernmental	82,138	278,838	0	0	360,976
Charges for Services	48,450	57,826	0	0	106,276
Fines, Licenses and Permits	1,223,633	25,200	0	0	1,248,833
Earnings on Investments	43	0	0	0	43
Miscellaneous	52,354	7,892	0	8	60,254
<i>Total Cash Receipts</i>	<u>2,114,597</u>	<u>869,867</u>	<u>0</u>	<u>8</u>	<u>2,984,472</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	883,844	756,584	0	0	1,640,428
Public Health Services	1,934	0	0	0	1,934
Leisure Time Activities	23,152	0	0	0	23,152
Basic Utility Services	45,586	0	0	0	45,586
Transportation	180,192	93,099	0	0	273,291
General Government	849,515	129,643	0	77,539	1,056,697
Capital Outlay	155,045	0	0	84,868	239,913
Debt Service:					
Principal Retirement	53,823	0	350,000	0	403,823
Interest and Fiscal Charges	6,457	0	11,148	0	17,605
<i>Total Cash Disbursements</i>	<u>2,199,548</u>	<u>979,326</u>	<u>361,148</u>	<u>162,407</u>	<u>3,702,429</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(84,951)</u>	<u>(109,459)</u>	<u>(361,148)</u>	<u>(162,399)</u>	<u>(717,957)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Notes	0	0	328,000	180,000	508,000
Premium on Debt Issuance	0	0	2,000	0	2,000
Sale of Capital Assets	894	0	0	0	894
Transfers In	0	0	31,148	0	31,148
Transfers Out	(31,148)	0	0	0	(31,148)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(30,254)</u>	<u>0</u>	<u>361,148</u>	<u>180,000</u>	<u>510,894</u>
<i>Net Change in Fund Cash Balances</i>	<u>(115,205)</u>	<u>(109,459)</u>	<u>0</u>	<u>17,601</u>	<u>(207,063)</u>
<i>Fund Cash Balances, January 1</i>	<u>120,922</u>	<u>146,962</u>	<u>0</u>	<u>1,414</u>	<u>269,298</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	139,179	0	19,015	158,194
Assigned	252	0	0	0	252
Unassigned (Deficit)	5,465	(101,676)	0	0	(96,211)
<i>Fund Cash Balances, December 31</i>	<u>\$5,717</u>	<u>\$37,503</u>	<u>\$0</u>	<u>\$19,015</u>	<u>\$62,235</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)  
PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type	Fiduciary Fund Type
	Enterprise	Agency
<b>Operating Cash Receipts</b>		
Charges for Services	\$87,534	\$0
Mayor's Court Receipts	0	368,550
	87,534	368,550
<i>Total Operating Cash Receipts</i>	<i>87,534</i>	<i>368,550</i>
<b>Operating Cash Disbursements</b>		
Mayor's Court Disbursements	0	357,389
Contractual Services	87,534	0
	87,534	357,389
<i>Total Operating Cash Disbursements</i>	<i>87,534</i>	<i>357,389</i>
<i>Operating Income (Loss)</i>	<i>0</i>	<i>11,161</i>
<i>Net Change in Fund Cash Balances</i>	<i>0</i>	<i>11,161</i>
<i>Fund Cash Balances, January 1</i>	<i>0</i>	<i>25,300</i>
<i>Fund Cash Balances, December 31</i>	<i>\$0</i>	<i>\$36,461</i>

*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, 2015 AND 2014**

**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 repair, and general government services. The Village contracts with the City of Cleveland to provide refuse collections

The Village participates in a jointly governed organization. Note 9 to the financial statements provides additional information for this entity.

*Jointly Governed Organization:*

The Northeast Ohio Public Energy Council (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.

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 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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**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**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. 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. Proprietary 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 significant Proprietary Funds:

Refuse Collection Fund – This fund accounts for refuse collection fees within the Village.

**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

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**6. Fiduciary Funds (Continued)**

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.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 2015 and 2014 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.

VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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.

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.

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**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:

	2015	2014
Demand deposits	\$3,547,595	\$98,696
Total deposits and investments	\$3,547,595	\$98,696

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$2,267,212	\$1,763,629	(\$503,583)
Special Revenue	1,338,395	1,099,560	(238,835)
Debt Service	806,457	806,457	0
Capital Projects	5,590,960	4,590,972	(999,988)
Enterprise	90,129	90,129	0
Total	\$10,093,153	\$8,350,747	(\$1,742,406)

2015 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,255,566	\$2,248,717	\$6,849
Special Revenue	1,177,936	1,069,593	108,343
Debt Service	598,389	598,388	1
Capital Projects	5,550,000	940,761	4,609,239
Enterprise	90,129	90,129	0
Total	\$9,672,020	\$4,947,588	\$4,724,432

2014 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$2,316,434	\$2,115,491	(\$200,943)
Special Revenue	979,171	869,867	(109,304)
Debt Service	361,148	361,148	0
Capital Projects	180,000	180,008	8
Enterprise	87,534	87,534	0
Total	\$3,924,287	\$3,614,048	(\$310,239)

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,432,048	\$2,230,948	\$201,100
Special Revenue	988,391	979,326	9,065
Debt Service	361,148	361,148	0
Capital Projects	162,407	162,407	0
Enterprise	87,534	87,534	0
Total	\$4,031,528	\$3,821,363	\$210,165

**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 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 Regional Income Tax Authority (RITA) either monthly or quarterly, as required. RITA collects all Village income taxes and forwards these collections to the Village monthly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Income Tax Revenue Bonds, Series 2015	\$5,175,000	4.0%

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. A portion of these bonds was posted to the Debt Service Funds to repay Bond Anticipation notes previously issued.

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**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 July to December 2015, OP&F participants contributed 12.25 percent of their wages. For July 2014 to June 2015, OP&F participants contributed 11.5 percent of their wages. For January to June 2014, OP&F participants contributed 10.75 percent of their wages. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5 percent of police members' wages and 24 percent of fire fighters' wages, respectively. For 2015 and 2014, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

**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 126 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 ensuring 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. Financial information can be obtained by contacting NOPEC at 31320 Solon Road, Suite 20, Solon, Ohio 44139.

**10. COMPLIANCE**

Contrary to Ohio Revised Code Section 5705.10, at December 31, 2015, the Village had deficit fund balances in the General, CDBG and Second Century Funds of \$479,376, \$106,928 and \$94,461, respectively. At December 31, 2014, the Village had a deficit fund balance in the Fire Department Operating Fund of \$101,676.

In planning the fiscal year 2016 appropriation ordinance, management budgeted to correct these negative fund balances. Through a series of personnel hour controls, strict budgeting oversight, additional revenue sources, and the sale of municipal property, the Village eliminated the negative General Fund balance at the close of August 2016.

VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)

**10. COMPLIANCE (Continued)**

The other negative fund balances will be corrected through grant and debt reimbursement of the Village's outlay for various purpose capital projects.



# 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 cash balances, receipts and disbursements by fund type of the Village of Newburgh Heights, Cuyahoga County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2016, 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. Additionally, we noted the Village had significant deficit fund balances at December 31, 2015.

### ***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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-002 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 and 2015-002.

***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

October 7, 2016

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2015-001**

**Negative Cash Balances – Noncompliance**

Ohio Rev. Code §5705.10(I) provides that money paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2015, the General, CDBG, and Second Century Funds reported negative fund balances of \$479,376, \$106,928, and \$94,461, respectively. At December 31, 2014, the Operating Fire Department Fund reported a negative fund balance of \$101,676. By carrying negative fund balances, the Village is at risk of spending money for a purpose that is not allowed by the carrying funds.

We recommend management closely monitor all fund cash balances to avoid having negative cash balances.

**Officials' Response:**

The Village has not responded to this finding.

**FINDING NUMBER 2015-002**

**Financial Reporting – Noncompliance and Material Weakness**

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 2015, and adjusted in the financial statements by management:

- The Village reported Debt Service Fund bond proceeds of \$154,346 as property tax revenue.
- The Village reported Debt Service Fund income tax revenue of \$32,000 as property tax revenue.
- The Village reported Special Revenue Fund intergovernmental revenue of \$77,294 and \$17,094 as property tax and income tax revenue, respectively.

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

**FINDING NUMBER 2015-002  
(CONTINUED)**

**Financial Reporting – Noncompliance and Material Weakness (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 has not responded to this finding.

**VILLAGE OF NEWBURGH HEIGHTS  
CUYAHOGA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2013-001	Material Weakness – Financial Reporting – The Village had various mispostings to the accounting system.	Partially Corrected	The number of mispostings is significantly less than the prior audit, but material mispostings still exist.

**This page intentionally left blank.**



# 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  
OCTOBER 20, 2016**