



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2020	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Proprietary Fund Types - For the Year Ended December 31, 2020	6
Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) - All Fiduciary Fund Types	7
Notes to the Financial Statements - For the Year Ended December 31, 2020	8
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2019	21
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2019	22
Notes to the Financial Statements - For the Year Ended December 31, 2019	23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	35

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Newburgh Heights
Cuyahoga County
3801 Harvard Avenue
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 for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Newburgh Heights, Cuyahoga County, Ohio (the Village).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2020 and 2019, and the respective changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village, 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 14 in the notes to the financial statements for the year ended December 31, 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2022, 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.



Keith Faber
Auditor of State
Columbus, Ohio

January 4, 2022

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Village of Newburgh Heights, Ohio

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

For the year ended December 31, 2020

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash receipts:					
Property and other local taxes	\$ 145,477	\$ 589,412	\$ -	\$ -	\$ 734,889
Municipal income tax	638,782	-	306,493	-	945,275
Intergovernmental	92,783	1,146,946	-	-	1,239,729
Charges for services	48,937	61,269	-	-	110,206
Fines, licenses, and permits	5,884,831	22,708	-	-	5,907,539
Earnings on investment	1,439	-	-	-	1,439
Miscellaneous	401,124	-	-	-	401,124
Total cash receipts	<u>7,213,373</u>	<u>1,820,335</u>	<u>306,493</u>	<u>-</u>	<u>9,340,201</u>
Cash disbursements:					
Current:					
Security of persons and property	2,274,272	1,109,927	-	-	3,384,199
Public health services	11,810	-	-	-	11,810
Leisure time activities	11,435	14,346	-	-	25,781
Basic utility services	165,603	-	-	-	165,603
Transportation	301,001	94,921	-	-	395,922
General government	1,499,160	187,443	-	-	1,686,603
Capital outlay	549,199	622,324	-	-	1,171,523
Debt service:					
Principal retirement	203,528	-	440,000	-	643,528
Interest and fiscal charges	5,060	-	243,619	-	248,679
Total cash disbursements	<u>5,021,068</u>	<u>2,028,961</u>	<u>683,619</u>	<u>-</u>	<u>7,733,648</u>
Excess of receipts over (under) disbursements	<u>2,192,305</u>	<u>(208,626)</u>	<u>(377,126)</u>	<u>-</u>	<u>1,606,553</u>
Other financing receipts (disbursements):					
Sale of capital assets	1,485	-	-	-	1,485
Transfers in	-	250,000	377,126	-	627,126
Transfers out	(627,126)	-	-	-	(627,126)
Total other financing receipts (disbursements)	<u>(625,641)</u>	<u>250,000</u>	<u>377,126</u>	<u>-</u>	<u>1,485</u>
Net change in fund cash balances	1,566,664	41,374	-	-	1,608,038
Fund cash balances, January 1	49,761	163,726	334,070	1,315	548,872
Fund cash balances, December 31	<u>\$ 1,616,425</u>	<u>\$ 205,100</u>	<u>\$ 334,070</u>	<u>\$ 1,315</u>	<u>\$ 2,156,910</u>

Village of Newburgh Heights, Ohio

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

For the year ended December 31, 2020

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating cash receipts:	
Charges for services	\$ 16,576
Operating cash disbursements:	
Contractual services	<u>13,641</u>
Net change in fund cash balances	2,935
Fund cash balances, January 1	<u>7,751</u>
Fund cash balances, December 31	<u><u>\$ 10,686</u></u>

Village of Newburgh Heights, Ohio

Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) – All Fiduciary Fund Types

For the year ended December 31, 2020

	<u>Fiduciary Fund Type</u>
	<u>Custodial</u>
Additions:	
Amounts collected for distribution	\$ 222,074
Deductions:	
Distributions to governments	<u>218,147</u>
Net change in fund cash balances	3,927
Fund cash balances, January 1	<u>18,812</u>
Fund cash balances, December 31	<u><u>\$ 22,739</u></u>

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2020

Note 1: Summary of Significant Accounting Policies

Description of the Entity

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

The Village participates in a jointly governed organization and is associated with a related organization. Note 8 to the financial statements provides additional information for these entities.

Jointly Governed Organization:

Northeast Ohio Public Energy Council (NOPEC)

Related Organization:

Newburgh Heights Community Improvement Corporation (the “Corporation”)

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

Basis of Presentation

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

Fund Accounting

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

1) General Fund

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

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2020

Note 1: Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

2) Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Grants/CDBG – This fund is used for capital projects paid for with grants from the county, state, federal, or other governmental agencies.

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 has no significant Capital Project Funds.

5) Enterprise Funds

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

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

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2020

Note 1: Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

6) Fiduciary Funds

Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for the collection and distribution of Mayor's Court fines, fees, and bonds.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code (ORC) requires that each fund (except certain custodial 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.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2020

Note 1: Summary of Significant Accounting Policies (continued)

Budgetary Process (continued)

2) Estimated Resources

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

3) Encumbrances

The ORC requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over and need not be reappropriated.

A summary of 2020 budgetary activity appears in Note 3.

Deposits and Investments

Money market mutual funds are recorded at share values the mutual funds report.

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

2) Restricted

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

3) Committed

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

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2020

Note 1: Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

4) Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Capital Assets

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

Accumulated Leave

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

Note 2: Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The Village also has segregated accounts which include clearing accounts and amounts with fiscal and escrow agents that are not part of this pool.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2020

Note 2: Deposits and Investments (continued)

A summary of the Village's deposit and investment accounts are as follows:

	<u>2020</u>
Cash management pool	
Demand deposits (deposit)	\$ 1,830,620
Mutual funds (investment)	<u>351,931</u>
Total cash management pool	<u>2,182,551</u>
Segregated accounts – not held in the pool, included in financial statement	
Demand deposits (deposit)	<u>7,784</u>
Total deposits and investments	\$ <u>2,190,335</u>
Segregated accounts – not held in the pool	
Payroll clearing account	\$ <u>2,016</u>

The Village has a payroll clearing account that is held outside of the deposit pool where gross payroll is held for distribution. The expenditures included in the accompanying financial statement reflect gross payroll.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2020, \$567,133 of deposits, including segregated accounts, were not insured or collateralized. One of the Village's financial institution participates in OPCS and was approved for a reduced collateral floor of 50% resulting in the uninsured and uncollateralized balance.

Investments

Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2020

Note 3: Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 7,033,710	\$ 7,214,858	\$ 181,148
Special Revenue	2,069,112	2,070,335	1,223
Debt Service	683,619	683,619	-
Enterprise	16,600	16,576	(24)
Total	\$ <u>9,803,041</u>	\$ <u>9,985,389</u>	\$ <u>182,347</u>

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 6,303,436	\$ 5,704,196	\$ 599,240
Special Revenue	2,112,432	2,028,961	83,471
Debt Service	700,000	683,619	16,381
Enterprise	13,641	13,641	-
Total	\$ <u>9,129,509</u>	\$ <u>8,430,417</u>	\$ <u>699,092</u>

Note 4: Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 5: Local Income Tax

The Village levies a municipal income tax of 2% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. In the latter case, the Village allows a credit of 75% of the tax paid to another municipality up to a maximum of 1% of the taxes paid. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2020

Note 6: Debt

Debt outstanding at December 31, 2020 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Income Tax Revenue Special Purpose Bonds, Series 2015	\$ 4,760,000	4.00-4.125%
Various Purpose Capital Improvement General Obligation Bonds (Limited Tax), Series 2016	<u>790,000</u>	4.00%
Total	\$ <u>5,550,000</u>	

In 2015, the Village issued \$5,175,000 in bonds, maturing on December 1, 2045, for the purpose of acquiring, constructing and improving a new municipal building and police station.

In 2016, the Village issued \$1,000,000 in bonds, maturing on December 1, 2031, for the purpose of replacing sidewalks, replacing a parking lot at Kathy Edwards Village Park, resurfacing roads within the Village and renovating the Village fire station and service garage.

In 2016, the Village borrowed \$325,000 from Northeast Ohio Public Energy Council (NOPEC) for the replacement of the roof, installation of ceiling fans and other energy related or efficiency programs for the new fire station and service department. The Village retired this loan early in the last quarter of 2020 by making an additional principal payment of \$265,000, plus an interest fee.

An Ohio Water Development Authority (OWDA) loan related to the Brow Avenue Combined Sewer Relief project was approved for \$67,481. The Village retired this loan early in the last quarter of 2020 by making an additional principle payment of \$32,055.

The Village of Newburgh Heights elected to retire these debts early because the financial position of the Village permitted for the establishment of a “rainy day” fund while also removing the liability of interest payments, allowing for the reallocation of those resources toward other priorities moving forward.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2020

Note 6: Debt (continued)

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

<u>Year</u>	<u>Special Purpose Bonds</u>	<u>General Obligation Bonds</u>
2021	\$ 115,000	\$ 60,000
2022	120,000	60,000
2023	125,000	65,000
2024	130,000	65,000
2025	135,000	70,000
2026-2030	750,000	385,000
2031-2035	920,000	85,000
2036-2040	1,110,000	-
2041-2045	<u>1,355,000</u>	<u>-</u>
Totals	\$ <u>4,760,000</u>	\$ <u>790,000</u>

Leases

The Village leases vehicles and equipment under non-cancelable leases. The Village disbursed \$183,176 to pay lease costs for the year ended December 31, 2020. These costs included significant principal payments to retire leases, such as \$30,540 for a road service truck, and \$97,465 for three police cruisers. The Village's financial position allowed for large principal payments to retire certain leases established earlier in the year on essential vehicles, thereby removing the liability of interest payments and allowing for the reallocation of those resources.

The following is a schedule of the future minimum lease payments, including interest, required under the leases:

<u>Year</u>	<u>Leases</u>
2021	\$ 8,328
2022	8,328
2023	8,328
2024	<u>8,328</u>
Total	\$ <u>33,312</u>

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2020

Note 7: Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 8: Jointly Governed Organizations

Northeast Ohio Public Energy Council – The Village is a member of the Northeast Ohio Public Energy Council. NOPEC is a regional council of governments formed under Chapter 167 of the ORC. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of nearly 240 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 seventeen-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting NOPEC at 31360 Solon Road, Suite 33, Solon, Ohio 44139.

Newburgh Heights Community Improvement Corporation – The Corporation is a not-for-profit corporation that was formed on March 29, 2017 in the State of Ohio. The Corporation is a community improvement corporation as defined in Chapter 1724 of the Ohio Revised Code. The sole purpose for which the corporation was formed was to advance, encourage, and promote the industrial, commercial, and civic development of the Village of Newburgh Heights, Ohio by acting as a designated agency of the Village, for the industrial, commercial, distribution, and research development in such political subdivision in accordance with Section 1724.10 of the Ohio Revised Code. Operations of the Corporation include a five-member board, which is composed of the current mayor, president of council, and fiscal officer, as well as a fourth member appointed by the mayor and a fifth member appointed by village council.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2020

Note 8: Jointly Governed Organizations (continued)

The Corporation's financial reports are designed to provide the citizens, taxpayers, and consumers of the Village of Newburgh Heights with a general overview of the Corporation's financial position. If you have any questions about reports or need additional financial information, contact Cathleen Nagorski, Newburgh Heights Community Improvement Corporation Treasurer, 3801 Harvard Avenue, Newburgh Heights, Ohio 44105, (216) 641-2717.

The Corporation is funded via the Village's general fund; Village Council votes via legislation to transfer amounts for specific transactions, as well as general expenses (bank fees, legal fees, etc.). In the current year the Village transferred \$411,054 to the Corporation.

Note 9: Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The ORC also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Ohio Police and Fire Retirement System

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

The ORC also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2020.

Social Security

Other Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries, except qualified sick wages paid to employees under the Families First Coronavirus Response Act. The Village has paid all contributions required through December 31, 2020.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2020

Note 10: Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4% during 2020. OP&F contributes 0.5% to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 11: Contingent Liabilities

The Village is at times party to legal proceedings. Although management cannot presently determine the outcome of these proceedings, Village's management is of the opinion that the ultimate outcome of such litigation will not have a material adverse effect on the Village's financial position.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12: Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpended corpus of the permanent funds. The Village does not have any unclaimed monies or permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2020

Note 12: Fund Balances (continued)

At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Debt Service	Capital Projects	Total
Restricted	\$ -	\$ 205,100	\$ 334,070	\$ 1,315	\$ 540,485
Assigned:					
Outstanding Encumbrances	56,002	-	-	-	56,002
Unassigned	1,560,423	-	-	-	1,560,423
<i>Total</i>	<u>\$ 1,616,425</u>	<u>\$ 205,100</u>	<u>\$ 334,070</u>	<u>\$ 1,315</u>	<u>\$ 2,156,910</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted, committed or assigned. These restricted, committed and assigned amounts in the special revenue, debt service, and capital projects would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13: Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) – All Fiduciary Fund Types, and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

Note 14: COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. During 2020, the Village received \$195,640 as an on-behalf of grant from another government. These amounts are recorded in the Coronavirus Relief Special Revenue Fund.

Village of Newburgh Heights, Ohio

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

For the year ended December 31, 2019

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash receipts:					
Property and other local taxes	\$ 112,732	\$ 483,867	\$ -	\$ -	\$ 596,599
Municipal income tax	566,849	-	305,693	-	872,542
Intergovernmental	86,417	767,496	-	-	853,913
Charges for services	61,097	62,443	-	-	123,540
Fines, licenses, and permits	3,188,584	22,801	-	-	3,211,385
Earnings on investment	8,291	-	-	-	8,291
Miscellaneous	<u>162,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,750</u>
Total cash receipts	<u>4,186,720</u>	<u>1,336,607</u>	<u>305,693</u>	<u>-</u>	<u>5,829,020</u>
Cash disbursements:					
Current:					
Security of persons and property	1,652,629	867,672	-	-	2,520,301
Public health services	10,272	-	-	-	10,272
Leisure time activities	24,556	-	-	-	24,556
Basic utility services	141,666	-	-	-	141,666
Transportation	285,197	64,713	-	-	349,910
General government	1,324,957	84,856	-	-	1,409,813
Capital outlay	388,077	380,395	-	-	768,472
Debt service:					
Principal retirement	34,741	5,510	180,000	-	220,251
Interest and fiscal charges	<u>3,582</u>	<u>-</u>	<u>252,281</u>	<u>-</u>	<u>255,863</u>
Total cash disbursements	<u>3,865,677</u>	<u>1,403,146</u>	<u>432,281</u>	<u>-</u>	<u>5,701,104</u>
Excess of receipts over (under) disbursements	<u>321,043</u>	<u>(66,539)</u>	<u>(126,588)</u>	<u>-</u>	<u>127,916</u>
Other financing receipts (disbursements):					
Sale of capital assets	49,555	-	-	-	49,555
Transfers in	-	475,000	126,588	-	601,588
Transfers out	<u>(601,588)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(601,588)</u>
Total other financing receipts (disbursements)	<u>(552,033)</u>	<u>475,000</u>	<u>126,588</u>	<u>-</u>	<u>49,555</u>
Net change in fund cash balances	(230,990)	408,461	-	-	177,471
Fund cash balances, January 1	<u>280,751</u>	<u>(244,735)</u>	<u>334,070</u>	<u>1,315</u>	<u>371,401</u>
Fund cash balances, December 31:					
Restricted	-	163,726	334,070	1,315	499,111
Unassigned	<u>49,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,761</u>
Fund cash balances, December 31	<u>\$ 49,761</u>	<u>\$ 163,726</u>	<u>\$ 334,070</u>	<u>\$ 1,315</u>	<u>\$ 548,872</u>

Village of Newburgh Heights, Ohio

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

For the year ended December 31, 2019

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>
	<u>Enterprise</u>	<u>Agency</u>
Operating cash receipts:		
Charges for services	\$ 18,002	\$ -
Mayor's court receipts	<u>-</u>	<u>301,880</u>
Total operating cash receipts	<u>18,002</u>	<u>301,880</u>
Operating cash disbursements:		
Contractual services	12,453	-
Mayor's court disbursements	<u>-</u>	<u>310,589</u>
Total operating cash disbursements	<u>12,453</u>	<u>310,589</u>
Net change in fund cash balances	5,549	(8,709)
Fund cash balances, January 1	<u>2,202</u>	<u>27,521</u>
Fund cash balances, December 31	\$ <u><u>7,751</u></u>	\$ <u><u>18,812</u></u>

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2019

Note 1: Summary of Significant Accounting Policies

Description of the Entity

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

The Village participates in a jointly governed organization and is associated with a related organization. Note 8 to the financial statements provides additional information for these entities.

Jointly governed organization:

Northeast Ohio Public Energy Council (NOPEC)

Related Organization:

Newburgh Heights Community Improvement Corporation (the “Corporation”)

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

Basis of Presentation

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

Fund Accounting

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

1) General Fund

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

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2019

Note 1: Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

2) Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Grants/CDBG – This fund is used for capital projects paid for with grants from the county, state, federal, or other governmental agencies.

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

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

3) Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

General Obligation Fund – This fund is used to make principal and interest payments on general obligations of the Village.

4) Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village has no significant Capital Project Funds.

5) Enterprise Funds

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

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

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2019

Note 1: Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

6) Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds.

Agency funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's agency fund accounts for the collection and distribution of Mayor's Court fines, fees, and bonds.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

1) Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

2) Estimated Resources

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

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2019

Note 1: Summary of Significant Accounting Policies (continued)

Budgetary Process (continued)

3) Encumbrances

The ORC requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

Money market mutual funds are recorded at share values the mutual funds report.

Fund Balance

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

1) Nonspendable

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

2) Restricted

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

3) Committed

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

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2019

Note 1: Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

4) Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State statute.

5) Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Capital Assets

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

Accumulated Leave

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

Note 2: Equity in Pooled Deposits and Investments

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

	<u>2019</u>
Demand deposits (deposit)	\$ 224,914
Mutual funds (investment)	<u>350,521</u>
Total deposits and investments	<u>\$ 575,435</u>

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2019

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

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2019, \$4,513 of deposits were not insured or collateralized. One of the Village's financial institution participates in OPCS and was approved for a reduced collateral floor of 50% resulting in the uninsured and uncollateralized balance.

Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 3: Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 4,507,464	\$ 4,236,275	\$ (271,189)
Special Revenue	1,854,407	1,811,607	(42,800)
Debt Service	439,761	432,281	(7,480)
Enterprise	15,165	18,002	2,837
Total	\$ 6,816,797	\$ 6,498,165	\$ (318,632)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,773,559	\$ 4,467,265	\$ 306,294
Special Revenue	1,497,288	1,403,146	94,142
Debt Service	439,761	432,281	7,480
Enterprise	12,500	12,453	47
Total	\$ 6,723,108	\$ 6,315,145	\$ 407,963

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2019

Note 4: Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 5: Local Income Tax

The Village levies a municipal income tax of 2% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6: Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Income Tax Revenue Special Purpose Bonds, Series 2015	\$ 4,870,000	4.00-4.125%
Various Purpose Capital Improvement General Obligation Bonds (Limited Tax), Series 2016	845,000	4.00%
NOPEC Loan payable	275,000	5.25%
OWDA Loan	<u>33,740</u>	0.00%
Total	<u>\$ 6,023,740</u>	

In 2015, the Village issued \$5,175,000 in bonds, maturing on December 1, 2045, for the purpose of acquiring, constructing and improving a new municipal building and police station.

In 2016, the Village issued \$1,000,000 in bonds, maturing on December 1, 2031, for the purpose of replacing sidewalks, replacing a parking lot at Kathy Edwards Village Park, resurfacing roads within the Village and renovating the Village fire station and service garage.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2019

Note 6: Debt (continued)

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

The Ohio Water Development Authority (OWDA) loan relates to the Brow Avenue Combined Sewer Relief project. The OWDA approved a loan for \$67,481 for this project. The Village will repay the loan in semiannual installments of \$1,678, over 20 years.

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

<u>Year</u>	<u>OWDA Loan</u>	<u>Special Purpose Bonds</u>	<u>General Obligation Bonds</u>	<u>NOPEC Loan</u>
2020	\$ 3,374	\$ 110,000	\$ 55,000	\$ 20,000
2021	3,374	115,000	60,000	20,000
2022	3,374	120,000	60,000	20,000
2023	3,374	125,000	65,000	20,000
2024	3,374	130,000	65,000	20,000
2025-2029	16,870	725,000	370,000	130,000
2030-2034	-	880,000	170,000	45,000
2035-2039	-	1,070,000	-	-
2040-2044	-	1,300,000	-	-
2045	-	295,000	-	-
Totals	\$ <u>33,740</u>	\$ <u>4,870,000</u>	\$ <u>845,000</u>	\$ <u>275,000</u>

Leases

The Village leases vehicles and equipment under non-cancelable leases. The Village disbursed \$51,151 to pay lease costs for the year ended December 31, 2019. The following is a schedule of the future minimum lease payments, including interest, required under the leases:

<u>Year</u>	<u>Leases</u>
2020	\$ 65,517
2021	55,400
2022	45,282
2023	30,011
2024	19,876
Total	\$ <u>216,086</u>

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2019

Note 7: Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 8: Jointly Governed Organizations

Northeast Ohio Public Energy Council – The Village is a member of the Northeast Ohio Public Energy Council. NOPEC is a regional council of governments formed under Chapter 167 of the ORC. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of nearly 225 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 sixteen-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting NOPEC at 31360 Solon Road, Suite 33, Solon, Ohio 44139.

Newburgh Heights Community Improvement Corporation – The Corporation is a not-for-profit corporation that was formed on March 29, 2017 in the State of Ohio. The Corporation is a community improvement corporation as defined in Chapter 1724 of the Ohio Revised Code. The sole purpose for which the corporation was formed was to advance, encourage, and promote the industrial, commercial, and civic development of the Village of Newburgh Heights, Ohio by acting as a designated agency of the Village, for the industrial, commercial, distribution, and research development in such political subdivision in accordance with Section 1724.10 of the Ohio Revised Code. Operations of the Corporation include a five-member board, which is composed of the current mayor, president of council, and fiscal officer, as well as a fourth member appointed by the mayor and a fifth member appointed by village council.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2019

Note 8: Jointly Governed Organizations (continued)

The Corporation's financial reports are designed to provide the citizens, taxpayers, and consumers of the Village of Newburgh Heights with a general overview of the Corporation's financial position. If you have any questions about reports or need additional financial information, contact Cathleen Nagorski, Newburgh Heights Community Improvement Corporation Treasurer, 3801 Harvard Avenue, Newburgh Heights, Ohio 44105, (216) 641-2717.

The CIC is funded via the Village's general fund; Village Council votes via legislation to transfer amounts for specific transactions, as well as general expenses (bank fees, legal fees, etc.). In the current year the Village transferred \$16,500 to the CIC.

Note 9: Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The ORC also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System

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

The ORC also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2019.

Social Security

Several Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2019

Note 10: Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4% during 2019. OP&F contributes 0.5% to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 11: Contingent Liabilities

The Village is at times party to legal proceedings. Although management cannot presently determine the outcome of these proceedings, Village's management is of the opinion that the ultimate outcome of such litigation will not have a material adverse effect on the Village's financial position.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

Village of Newburgh Heights
Cuyahoga County
3801 Harvard Avenue
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 for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and the related notes to the financial statements of the Village of Newburgh Heights, Cuyahoga County, Ohio (the Village), and have issued our report thereon dated January 4, 2022, wherein in we noted the Village followed the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

January 4, 2022

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF NEWBURGH HEIGHTS

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 1/18/2022

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov