



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY

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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 Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Newburgh Heights, Cuyahoga County, Ohio (the Village), which comprises 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 years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying 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 years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 1.

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* section of our report, the accompanying financial statements 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, 2022 and 2021, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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

April 5, 2024

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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, 2022

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash receipts:					
Property and other local taxes	\$ 120,993	\$ 350,636	\$ -	\$ -	\$ 471,629
Municipal income tax	1,366,603	-	289,381	-	1,655,984
Intergovernmental	68,870	1,589,237	-	-	1,658,107
Charges for services	64,989	59,405	-	-	124,394
Fines, licenses, and permits	3,974,407	23,908	-	-	3,998,315
Earnings on investment	4,957	-	-	-	4,957
Miscellaneous	242,791	4,308	-	-	247,099
Total cash receipts	<u>5,843,610</u>	<u>2,027,494</u>	<u>289,381</u>	<u>-</u>	<u>8,160,485</u>
Cash disbursements:					
Current:					
Security of persons and property	3,219,070	1,555,512	-	-	4,774,582
Public health services	11,172	-	-	-	11,172
Leisure time activities	92,135	-	-	-	92,135
Basic utility services	169,904	-	-	-	169,904
Transportation	355,672	15,190	-	-	370,862
General government	1,930,372	355,468	-	565	2,286,405
Capital outlay	217,576	749,620	-	9,500	976,696
Debt service:					
Principal retirement	-	-	180,000	-	180,000
Interest and fiscal charges	-	-	216,694	-	216,694
Total cash disbursements	<u>5,995,901</u>	<u>2,675,790</u>	<u>396,694</u>	<u>10,065</u>	<u>9,078,450</u>
Excess of receipts under disbursements	<u>(152,291)</u>	<u>(648,296)</u>	<u>(107,313)</u>	<u>(10,065)</u>	<u>(917,965)</u>
Other financing receipts (disbursements):					
Sale of capital assets	6,000	13,692	-	-	19,692
Transfers in	-	808,000	91,800	-	899,800
Transfers out	(899,800)	-	-	-	(899,800)
Total other financing receipts (disbursements)	<u>(893,800)</u>	<u>821,692</u>	<u>91,800</u>	<u>-</u>	<u>19,692</u>
Net change in fund cash balances	(1,046,091)	173,396	(15,513)	(10,065)	(898,273)
Fund cash balances, January 1	<u>1,258,370</u>	<u>570,793</u>	<u>334,070</u>	<u>209,123</u>	<u>2,372,356</u>
Fund cash balances, December 31	<u>\$ 212,279</u>	<u>\$ 744,189</u>	<u>\$ 318,557</u>	<u>\$ 199,058</u>	<u>\$ 1,474,083</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, 2022

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating cash receipts:	
Charges for services	\$ 16,040
Operating cash disbursements:	
Contractual services	<u>15,515</u>
Net change in fund cash balances	525
Fund cash balances, January 1	<u>13,970</u>
Fund cash balances, December 31	<u><u>\$ 14,495</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, 2022

	<u>Fiduciary Fund Type</u>
	<u>Custodial</u>
Additions:	
Amounts collected for distribution	\$ 235,204
Deductions:	
Distributions to governments	<u>234,864</u>
Net change in fund cash balances	340
Fund cash balances, January 1	<u>17,033</u>
Fund cash balances, December 31	<u><u>\$ 17,373</u></u>

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2022

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 two 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)

Regional Income Tax Agency (RITA)

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, 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) for 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, 2022

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 Fund – 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 had the following significant Capital Project Fund:

Municipal Center Fund – This fund is used for maintenance, repairs, and improvements to the buildings that house the Village's operations.

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, 2022

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 (C). 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 (C) 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, 2022

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 2022 budgetary activity appears in Note 3.

Deposits and Investments

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

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.

Leases

The Village is the lessee in various leases (as defined by GASB 87) related to equipment under noncancelable leases. Lease disbursements are recognized when they are paid.

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:

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2022

Note 1: Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

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.

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.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2022

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.

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

	<u>2022</u>
Cash management pool:	
Demand deposits (deposit)	\$ 1,138,335
Mutual funds (investment)	<u>338,878</u>
Total cash management pool	<u>1,477,213</u>
Segregated accounts – not held in the pool, included in financial statement:	
Demand deposits (deposit)	<u>28,738</u>
Total deposits and investments	\$ <u>1,505,951</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, 2022, \$344,007 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, 2022

Note 3: Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 7,203,198	\$ 5,849,610	\$ (1,353,588)
Special Revenue	4,275,165	2,849,186	(1,425,979)
Debt Service	396,711	381,181	(15,530)
Capital Projects	-	-	-
Enterprise	16,040	16,040	-
Total	\$ 11,891,114	\$ 9,096,017	\$ (2,795,097)

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 7,937,049	\$ 6,895,701	\$ 1,041,348
Special Revenue	3,378,027	2,675,790	702,237
Debt Service	396,711	396,694	17
Capital Projects	15,000	10,065	4,935
Enterprise	30,000	15,515	14,485
Total	\$ 11,756,787	\$ 9,993,765	\$ 1,763,022

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.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2022

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.

Note 6: Debt

Debt outstanding at December 31, 2022 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Income Tax Revenue Special Purpose Bonds, Series 2015	\$ 4,525,000	4.00-4.125%
Various Purpose Capital Improvement General Obligation Bonds (Limited Tax), Series 2016	<u>670,000</u>	4.00%
Total	<u>\$ 5,195,000</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.

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

<u>Year</u>	<u>Special Purpose Bonds</u>	<u>General Obligation Bonds</u>
2023	\$ 125,000	\$ 65,000
2024	130,000	65,000
2025	135,000	70,000
2026	140,000	70,000
2027	145,000	75,000
2028-2032	810,000	325,000
2033-2037	995,000	-
2038-2042	1,200,000	-
2043-2045	<u>845,000</u>	<u>-</u>
Totals	<u>\$ 4,525,000</u>	<u>\$ 670,000</u>

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2022

Note 6: Debt (continued)

Leases

The Village leases equipment under non-cancelable leases. The Village disbursed \$12,668 to pay lease costs for the year ended December 31, 2022. Lease payments are made out of the general fund and the fire department operating special revenue fund.

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

<u>Year</u>	<u>Leases</u>
2023	\$ 25,928
2024	25,928
2025	17,600
2026	13,820
2027	<u>13,260</u>
Total	\$ <u>96,536</u>

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.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2022

Note 8: Jointly Governed Organizations and Related Organization

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 over 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.

Regional Income Tax Agency

RITA is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection of income taxes on behalf of each member. RITA currently has approximately 374 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. Financial information can be obtained by contacting RITA at 10107 Brecksville Road, Brecksville, Ohio 44141

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, 2022

Note 8: Jointly Governed Organizations and Related Organization (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 \$64,750 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, 2022.

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, 2022.

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. The Village has paid all contributions required through December 31, 2022.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2022

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 the employer's contribution allocated to health care was 0% for 2022 for the traditional plan. For the combined plan, the portion of the employer contributions allocated to healthcare was 0% from January 1, 2022 to June 30, 2022 and 2% from July 1, 2022 to December 31, 2022. The portion of the employer contributions allocated to health care for members in the member directed plan was 4.0% for 2022. OP&F contributes 0.5% to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 11: Contingent Liabilities

The Village is at times party to legal proceedings. Although management cannot presently determine the outcome of these proceedings, the 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, 2022

Note 12: Fund Balances (continued)

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

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Services</u>	<u>Capital Principal</u>	<u>Total</u>
Restricted	\$ -	\$ 744,189	\$ 318,557	\$ 199,058	\$ 1,261,804
Unassigned	<u>212,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,279</u>
Total	\$ <u>212,279</u>	\$ <u>744,189</u>	\$ <u>318,557</u>	\$ <u>199,058</u>	\$ <u>1,474,083</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: Interfund Balances

Outstanding advances at December 31, 2022, consisted of \$300,000 advanced to the Grants/CDBG funds to allow for the continuation of grant-funded construction projects while awaiting the disbursement of those grant funds to the Village.

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, Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. 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.

During 2022, the Village received American Rescue Plan Act of 2021 (ARPA) funding. During 2022, the Village received \$108,174 as an on-behalf of grant from another government. These amounts are recorded in the Coronavirus Local Recovery 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, 2021

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash receipts:					
Property and other local taxes	\$ 108,618	\$ 546,063	\$ -	\$ -	\$ 654,681
Municipal income tax	854,888	-	307,094	-	1,161,982
Intergovernmental	99,918	1,384,235	-	-	1,484,153
Charges for services	78,667	45,503	-	-	124,170
Fines, licenses, and permits	5,248,666	24,127	-	-	5,272,793
Earnings on investment	104	-	-	-	104
Miscellaneous	147,604	-	-	-	147,604
Total cash receipts	6,538,465	1,999,928	307,094	-	8,845,487
Cash disbursements:					
Current:					
Security of persons and property	2,509,024	1,171,530	-	-	3,680,554
Public health services	11,810	-	-	-	11,810
Leisure time activities	122,496	-	-	-	122,496
Basic utility services	151,377	-	-	-	151,377
Transportation	439,751	8,455	-	-	448,206
General government	1,845,978	195,818	-	42,192	2,083,988
Capital outlay	683,819	1,059,132	-	-	1,742,951
Debt service:					
Principal retirement	-	-	175,000	-	175,000
Interest and fiscal charges	-	-	223,694	-	223,694
Total cash disbursements	5,764,255	2,434,935	398,694	42,192	8,640,076
Excess of receipts over (under) disbursements	774,210	(435,007)	(91,600)	(42,192)	205,411
Other financing receipts (disbursements):					
Sale of capital assets	9,335	700	-	-	10,035
Advance in	-	300,000	-	-	300,000
Transfers in	-	500,000	91,600	250,000	841,600
Advance out	(300,000)	-	-	-	(300,000)
Transfers out	(841,600)	-	-	-	(841,600)
Total other financing receipts (disbursements)	(1,132,265)	800,700	91,600	250,000	10,035
Net change in fund cash balances	(358,055)	365,693	-	207,808	215,446
Fund cash balances, January 1	1,616,425	205,100	334,070	1,315	2,156,910
Fund cash balances, December 31	\$ 1,258,370	\$ 570,793	\$ 334,070	\$ 209,123	\$ 2,372,356

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, 2021

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating cash receipts:	
Charges for services	\$ 16,199
Operating cash disbursements:	
Contractual services	<u>12,915</u>
Net change in fund cash balances	3,284
Fund cash balances, January 1	<u>10,686</u>
Fund cash balances, December 31	<u><u>\$ 13,970</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, 2021

	<u>Fiduciary Fund Type</u>
	<u>Custodial</u>
Additions:	
Amounts collected for distribution	\$ 298,877
Deductions:	
Distributions to governments	<u>304,583</u>
Net change in fund cash balances	(5,706)
Fund cash balances, January 1	<u>22,739</u>
Fund cash balances, December 31	<u><u>\$ 17,033</u></u>

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2021

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, 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) for 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, 2021

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 had the following significant Capital Project Funds:

Municipal Center Fund – This fund is used for maintenance, repairs, and improvements to the buildings that house the Village's operations.

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, 2021

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, 2021

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 2021 budgetary activity appears in Note 3.

Deposits and Investments

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

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.

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.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2021

Note 1: Summary of Significant Accounting Policies (continued)

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*. 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.

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, 2021

Note 2: Deposits and Investments (continued)

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

	<u>2021</u>
Cash management pool	
Demand deposits (deposit)	\$ 2,045,335
Mutual funds (investment)	<u>352,035</u>
Total cash management pool	<u>2,397,370</u>
Segregated accounts – not held in the pool, included in financial statement	
Demand deposits (deposit)	<u>5,989</u>
Total deposits and investments	\$ <u>2,403,359</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, 2021, \$510,674 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 60% 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, 2021

Note 3: Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 5,886,688	\$ 6,547,800	\$ 661,112
Special Revenue	3,565,748	2,800,628	(765,120)
Debt Service	398,727	398,694	(33)
Capital Projects	250,000	250,000	-
Enterprise	15,000	16,199	1,199
Total	\$ <u>10,116,163</u>	\$ <u>10,013,321</u>	\$ <u>(102,842)</u>

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 7,307,718	\$ 6,607,348	\$ 700,370
Special Revenue	3,462,466	2,458,116	1,004,350
Debt Service	398,727	398,694	33
Capital Projects	43,000	42,192	808
Enterprise	13,000	12,915	85
Total	\$ <u>11,224,911</u>	\$ <u>9,519,265</u>	\$ <u>1,705,646</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.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2021

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.

Note 6: Debt

Debt outstanding at December 31, 2021 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Income Tax Revenue Special Purpose Bonds, Series 2015	\$ 4,645,000	4.00-4.125%
Various Purpose Capital Improvement General Obligation Bonds (Limited Tax), Series 2016	<u>730,000</u>	4.00%
Total	<u>\$ 5,375,000</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.

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

<u>Year</u>	<u>Special Purpose Bonds</u>	<u>General Obligation Bonds</u>
2022	\$ 120,000	\$ 60,000
2023	125,000	65,000
2024	130,000	65,000
2025	135,000	70,000
2026	140,000	70,000
2027-2031	780,000	400,000
2032-2036	955,000	-
2037-2041	1,155,000	-
2042-2045	<u>1,105,000</u>	<u>-</u>
Totals	<u>\$ 4,645,000</u>	<u>\$ 730,000</u>

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2021

Note 6: Debt (continued)

Leases

The Village leases equipment under non-cancelable leases. The Village disbursed \$12,108 to pay lease costs for the year ended December 31, 2021. Lease payments are made out of the general fund and the fire department operating special revenue fund.

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

<u>Year</u>	<u>Leases</u>
2022	\$ 12,668
2023	12,668
2024	12,668
2025	4,340
2026	560
Total	\$ <u>42,904</u>

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.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2021

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 over 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.

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 \$411,684 to the Corporation.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2021

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, 2021.

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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, 2021.

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. The Village has paid all contributions required through December 31, 2021.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2021

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 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4% during 2021. OP&F contributes 0.5% to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees 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, 2021

Note 12: Fund Balances (continued)

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

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Restricted	\$ -	\$ 570,793	\$ 334,070	\$ 209,123	\$ 1,113,986
Assigned:					
Outstanding Encumbrances	1,493	-	-	-	1,493
Unassigned	<u>1,256,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,256,877</u>
<i>Total</i>	<u>\$ 1,258,370</u>	<u>\$ 570,793</u>	<u>\$ 334,070</u>	<u>\$ 209,123</u>	<u>\$ 2,372,356</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: Interfund Balances

Outstanding advances at December 31, 2021, consisted of \$300,000 advanced to the Grants/CDBG funds to allow for the continuation of grant-funded construction projects while awaiting the disbursement of those grant funds to the Village.

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, Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. 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.

During 2021, the Village received American Rescue Plan Act of 2021 (ARPA) funding. During 2021, the Village received \$107,317 as an on-behalf of grant from another government. These amounts are recorded in the Coronavirus Local Recovery Special Revenue Fund.

OHIO AUDITOR OF STATE KEITH FABER



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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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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 years ended December 31, 2022 and 2021, and the related notes to the financial statements of the Village of Newburgh Heights, Cuyahoga County (the Village), and have issued our report thereon dated April 5, 2024, wherein 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the finding identified in our audit and described in the accompanying schedule of findings. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

April 5, 2024

VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021

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

1. Cash Reconciliation Process Errors

FINDING NUMBER 2022-001

SIGNIFICANT DEFICIENCY

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council and/or other administrators are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were prepared by the Building Department but not reviewed during 2022 and 2021 for the building account. This led to the December 2021 building bank account reconciliation to show deposits in transit of \$3,825 that actually related to 2022.

Additionally, a court bank account that was unused totaling \$4,589 was closed and sent to unclaimed funds in 2021, and the Village has not requested the funds be released.

Failure to reconcile and review each account monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Official's Response:

Reconciliation/balancing of ancillary accounts (Building Department and Mayor's Court) was delegated to management of those departments to enforce segregation of duties. Retrieval of the unclaimed funds was delegated to a part-time staff member, and while it was pursued, the task was not completed.

Going forward, a more robust process for review of the ancillary accounts (Building Department and Mayor's Court) will be in place, and new staff will be trained to follow those standards. A claim to retrieve the unclaimed funds is under review by the State of Ohio.

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 4/23/2024

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This report is a matter of public record and is available online at
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