



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Fiduciary Fund Type - For the Year Ended December 31, 2007	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Fiduciary Fund Type - For the Year Ended December 31, 2006	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	22

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 2, 2009

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Newburgh Heights, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

The Village's legal counsel did not provide us with the description and evaluation of any pending contingent liabilities as directed by ABA Statement of Policy Regarding Lawyer's Responses to Auditor's Requests for Information

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and December 31, 2006, or its changes in financial position.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine certain information regarding ambulance billings reported in the Special Revenue Fund as described above and except for the lack of a response from the Village legal counsel regarding pending contingent liabilities, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Newburgh Heights, Cuyahoga County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

April 2, 2009

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$110,766	\$332,303	\$0	\$7,912	\$450,981
Municipal Income Tax	712,446	0	0	0	712,446
Intergovernmental Receipts	167,327	325,790	0	907	494,024
Charges for Services	129,854	45,321	0	0	175,175
Fines, Licenses, and Permits	385,229	43,902	0	0	429,131
Earnings on Investments	9,056	0	0	0	9,056
Miscellaneous	140,708	672	0	0	141,380
Total Cash Receipts	1,655,386	747,988	0	8,819	2,412,193
Cash Disbursements:					
Current:					
Security of Persons and Property	747,852	406,957	0	7,993	1,162,802
Public Health Services	2,058	0	0	0	2,058
Leisure Time Activities	20,759	0	0	0	20,759
Community Environment	0	0	625	0	625
Basic Utility Services	100,101	0	0	0	100,101
Transportation	113,614	84,282	0	0	197,896
General Government	546,293	23,818	6,500	0	576,611
Debt Service:					
Redemption of Principal	0	8,498	0	0	8,498
Interest and Fiscal Charges	0	566	0	0	566
Capital Outlay	44,125	250,048	270,112	0	564,285
Total Cash Disbursements	1,574,802	774,169	277,237	7,993	2,634,201
Total Receipts Over/(Under) Disbursements	80,584	(26,181)	(277,237)	826	(222,008)
Other Financing Receipts and (Disbursements):					
Sale of Notes	0	0	350,000	0	350,000
Sale of Fixed Assets	0	1,200	0	0	1,200
Transfers-In	0	35,000	0	0	35,000
Transfers-Out	(35,000)	0	0	0	(35,000)
Total Other Financing Receipts/(Disbursements)	(35,000)	36,200	350,000	0	351,200
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	45,584	10,019	72,763	826	129,192
Fund Cash Balances, January 1, 2007	67,164	44,814	15,433	51	127,462
Fund Cash Balances, December 31, 2007	\$112,748	\$54,833	\$88,196	\$877	\$256,654
Reserves for Encumbrances, December 31, 2007	\$12,558	\$1,082	\$0	\$0	\$13,640

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

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	FIDUCIARY FUND TYPE
	Agency
Operating Cash Receipts:	
Mayor's Court	\$501,710
Total Operating Cash Receipts	501,710
Operating Cash Disbursements:	
Mayor's Court	504,542
Total Operating Cash Disbursements	504,542
Operating Income/(Loss)	(2,832)
Fund Cash Balance, January 1, 2007	5,872
Fund Cash Balance, December 31, 2007	\$3,040

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

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$99,358	\$267,007	\$0	\$0	\$366,365
Municipal Income Tax	715,030	0	0	0	715,030
Intergovernmental Receipts	167,965	172,824	0	820	341,609
Charges for Services	124,132	42,950	0	7,208	174,290
Fines, Licenses, and Permits	263,139	28,636	0	0	291,775
Earnings on Investments	5,700	0	0	0	5,700
Miscellaneous	95,049	5,929	0	0	100,978
	<u>1,470,373</u>	<u>517,346</u>	<u>0</u>	<u>8,028</u>	<u>1,995,747</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	764,100	340,866	0	7,986	1,112,952
Public Health Services	1,948	0	0	0	1,948
Leisure Time Activities	20,460	0	0	0	20,460
Community Environment	0	29,846	4,357	0	34,203
Basic Utility Services	97,698	0	0	0	97,698
Transportation	67,139	80,543	0	0	147,682
General Government	440,337	11,290	18,153	0	469,780
Debt Service:					
Redemption of Principal	0	7,975	0	0	7,975
Interest and Fiscal Charges	0	1,089	0	0	1,089
Capital Outlay	16,172	86,646	0	0	102,818
	<u>1,407,854</u>	<u>558,255</u>	<u>22,510</u>	<u>7,986</u>	<u>1,996,605</u>
Total Receipts Over/(Under) Disbursements	<u>62,519</u>	<u>(40,909)</u>	<u>(22,510)</u>	<u>42</u>	<u>(858)</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	1,100	0	0	0	1,100
Transfers-In	2,500	11,100	0	0	13,600
Transfers-Out	(11,100)	(2,500)	0	0	(13,600)
	<u>(7,500)</u>	<u>8,600</u>	<u>0</u>	<u>0</u>	<u>1,100</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	55,019	(32,309)	(22,510)	42	242
Fund Cash Balances, January 1, 2006	12,145	77,123	37,943	9	127,220
Fund Cash Balances, December 31, 2006	<u><u>\$67,164</u></u>	<u><u>\$44,814</u></u>	<u><u>\$15,433</u></u>	<u><u>\$51</u></u>	<u><u>\$127,462</u></u>
Reserves for Encumbrances, December 31, 2006	<u><u>\$18,371</u></u>	<u><u>\$519</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$18,890</u></u>

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

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	FIDUCIARY FUND TYPE
	Agency
Operating Cash Receipts:	
Mayor's Court	\$313,922
Total Operating Cash Receipts	313,922
Operating Cash Disbursements:	
Mayor's Court	311,366
Total Operating Cash Disbursements	311,366
Operating Income/(Loss)	2,556
Fund Cash Balance, January 1, 2006	3,316
Fund Cash Balance, December 31, 2006	\$5,872

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

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Newburgh Heights, Cuyahoga County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides various services including a mayor's court, police and fire protection, emergency medical service, park operations, street maintenance and repairs, and general administrative services.

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

B. Accounting Basis

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

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

C. Cash and Investments

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

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire Department Operating Levy Fund – This fund receives intergovernmental and tax revenues to operate the fire department.

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

3. Capital Project Funds

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

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

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Police Disability and Pension Fund – This fund is used to account for the police pension prior to paying the funds to the retirement system (Expendable Trust).

Mayor's Court Fund – This fund is used to account for the collection and distribution of Mayor's Court fines, fees, and bonds (Agency Fund)

E. Budgetary Process

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

1. Appropriations

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

VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

1. Summary of Significant Accounting Policies (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 also approve estimated resources.

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Cash and Investments

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

	2007	2006
Demand deposits	<u>\$259,694</u>	<u>\$133,334</u>
Total deposits	<u><u>\$259,694</u></u>	<u><u>\$133,334</u></u>

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

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and December 31, 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,733,617	\$1,655,386	(\$78,231)
Special Revenue	859,049	784,188	(74,861)
Capital Projects	95,642	350,000	254,358
Trust	8,859	8,819	(40)
Total	\$2,697,167	\$2,798,394	\$101,227

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,639,531	\$1,622,360	\$17,171
Special Revenue	776,197	775,251	946
Capital Projects	7,125	277,237	(270,112)
Trust	7,993	7,993	0
Total	\$2,430,846	\$2,682,841	(\$251,995)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,468,347	\$1,473,973	\$5,626
Special Revenue	757,676	528,446	(229,230)
Capital Projects	37,263	0	(37,263)
Trust	8,253	8,028	(225)
Total	\$2,271,539	\$2,010,447	(\$261,092)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,455,531	\$1,437,325	\$18,206
Special Revenue	566,521	561,274	5,247
Capital Projects	22,510	22,510	0
Trust	7,986	7,986	0
Total	\$2,052,548	\$2,029,095	\$23,453

At December 31, 2007, the Village's budgetary expenditures exceeded their appropriation authority due to an audit adjustment.

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

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. Property Tax

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Local Income Tax

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

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

6. Debt

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Real Estate Acquisition Notes	\$350,000	4%
Commercial Loan	\$4,365	6%
Total	\$354,365	

In September 2007 the Village issued \$350,000 in Real Estate Acquisition Notes at 4.05%. This was to purchase property to be used for Village purposes. The Village also holds a commercial bank loan for fire department heart monitors.

Amortization of the above debt, including interest, is scheduled as follows:

	Real Estate Acquisition Notes	Commercial Loan
Year ending December 31: 2008	\$364,096	\$4,365
Total	\$364,096	\$4,365

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, 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. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. Contingent Liabilities

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

10. Related Party Transactions

The son of the Village's former police chief (resigned July 2006) is the office manager at Suburban Car and Truck, a car repair shop where the Village sends their police cars for maintenance and repairs. The Village paid Suburban Car and Truck \$6,389 and \$0 in 2006 and 2007, respectively.

The current fire chief Richard Pugsley is employed full-time with Finley Fire Equipment. The Village paid Finley Fire Equipment \$2,965 and \$3,876 in 2006 and 2007, respectively.

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

11. Jointly Governed Organizations

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2007 or 2006. Financial information can be obtained by contacting NOPEC.

12. Subsequent Events

In August 2008, the Village issued \$372,000 in Real Estate Acquisition Notes at 2.75% to retire the 2007 Real Estate Acquisition Notes.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Newburgh Heights, Cuyahoga County, (the Village) as of and for the years ended December 31, 2007 and December 31, 2006, and have issued our report thereon dated April 2, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted we were unable to obtain evidence supporting the proper processing of ambulance charges reported as charges for services in the Special Revenue Funds, and legal counsel did not respond to our request for information regarding certain legal contingencies. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2007-003 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above as finding number 2007-003 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated April 2, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 2, 2009.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and the Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 2, 2009

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

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

FINDING NUMBER 2007-001

Proper Encumbering – Material Noncompliance

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

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

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

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

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

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

For 2007, 7 out of 37 transactions tested (18.9%) and for 2006, 4 out of 24 transactions tested (16.7%) were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. In addition, there were 10 transactions for which no purchase order was prepared. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

FINDING NUMBER 2007-001 (Continued)

Proper Encumbering – Material Noncompliance (Continued)

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

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The fiscal officer should deny payment requests when prior certification or "then and now" certification are not obtained.

Official's Response

The Clerk-Treasurer will make every effort to correct these situations in the future.

FINDING NUMBER 2007-002

Transfer – Material Noncompliance

Ohio Revised Code Section 5705.14(D) states, the unexpended balance in any special fund, other than an improvement fund, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.

At the end of 2006 the Village made a transfer from the Law Enforcement Trust fund to the General fund in the amount of \$2,500. According to the criteria above this type of transfer is allowable only when the activity is terminated. The Village did not have any activity in the Law Enforcement Trust fund in 2007, but did not close the fund and the Law Enforcement Trust fund had a remaining balance of \$351 at the end of 2006 and 2007.

Therefore, in accordance with the foregoing facts, we hereby issue a finding for adjustment against the Village's General Fund, in favor of the Village's Law Enforcement Trust Fund in the amount of \$2,500. The Village did not record the adjustment, but it does not affect our opinion.

Official's Response

We did not receive a response from Officials to this finding.

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

FINDING NUMBER 2007-003

EMS Run Report – Material Weakness

During testing of EMS charges for services, we noted the following:

- Original run reports were sent directly to Ohio Billing, Inc., the third party billing company, and copies were not maintained at the Village. Without maintaining the original documentation the Village is not able to assure all of the correct information on the run reports correspond to what is billed to the patient. Since the run report is the originating document for billing the client, it is important for the Village to maintain a copy of the reports for both audit purposes and patient inquiries.
- The Village receives various monthly reports from Ohio Billing, Inc., but there is no evidence of a timely review and approval of these reports. A timely review of reports received from Ohio Billing, Inc. would allow the Village to detect and correct any errors in the billing and/or reporting.

We recommend the Village maintain the original run reports and send a copy to Ohio Billing, Inc. We also recommend, the Village review the billing reports received from Ohio Billing Inc. and compare them to what was submitted on the run reports. The review should be noted by a signature and date.

Official's Response

This issue will be discussed with Council and the Fire Chief to correct this problem.

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revised Code Section 5705.41(D)(1), Failure to certify funds	No	Repeated as Finding 2007-001
2005-002	Ohio Revised Code Section 5705.10, Negative Fund Balances	Yes	n/a



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 14, 2009