



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types FYE December 31, 2018.....	5
Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Proprietary and Fiduciary Fund Types FYE December 31, 2018.....	6
Notes to the Financial Statements.....	7
Schedule of Expenditures of Federal Awards	19
Notes to the Schedule of Expenditures of Federal Awards.....	20
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Independent Auditor's Report on Compliance with Requirements Applicable To the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	23
Schedule of Findings.....	25

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Newburgh Heights
Cuyahoga County
3801 Harvard Avenue
Newburgh Heights, Ohio 44105

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Newburgh Heights, Cuyahoga County, Ohio (the Village) as of and for the year ended December 31, 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018, and the respective changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Newburgh Heights, Cuyahoga County as of December 31, 2018, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Matters

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

August 20, 2019

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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, 2018

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash receipts:					
Property and other local taxes	\$ 121,759	\$ 471,413	\$ -	\$ -	\$ 593,172
Municipal income tax	659,285	-	304,694	-	963,979
Intergovernmental	78,440	1,112,775	-	-	1,191,215
Charges for services	71,311	75,495	-	-	146,806
Fines, licenses, and permits	3,681,988	19,891	-	-	3,701,879
Earnings on investment	6,001	-	-	-	6,001
Miscellaneous	<u>141,736</u>	<u>549</u>	<u>-</u>	<u>-</u>	<u>142,285</u>
Total cash receipts	<u>4,760,520</u>	<u>1,680,123</u>	<u>304,694</u>	<u>-</u>	<u>6,745,337</u>
Cash disbursements:					
Current:					
Security of persons and property	1,522,952	826,351	-	-	2,349,303
Public health services	8,928	-	-	-	8,928
Leisure time activities	19,049	-	-	-	19,049
Community environment	-	-	-	9,250	9,250
Basic utility services	102,997	-	-	-	102,997
Transportation	252,519	102,774	-	-	355,293
General government	1,284,030	143,300	-	-	1,427,330
Capital outlay	1,105,870	1,213,649	-	29,000	2,348,519
Debt service:					
Principal retirement	59,445	24,046	170,000	-	253,491
Interest and fiscal charges	<u>5,146</u>	<u>653</u>	<u>259,357</u>	<u>-</u>	<u>265,156</u>
Total cash disbursements	<u>4,360,936</u>	<u>2,310,773</u>	<u>429,357</u>	<u>38,250</u>	<u>7,139,316</u>
Excess of receipts over (under) disbursements	<u>399,584</u>	<u>(630,650)</u>	<u>(124,663)</u>	<u>(38,250)</u>	<u>(393,979)</u>
Other financing receipts (disbursements):					
Sale of capital assets	2,372	-	-	-	2,372
Transfers in	-	265,000	124,663	8,955	398,618
Transfers out	<u>(398,618)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(398,618)</u>
Total other financing receipts (disbursements)	<u>(396,246)</u>	<u>265,000</u>	<u>124,663</u>	<u>8,955</u>	<u>2,372</u>
Net change in fund cash balances	3,338	(365,650)	-	(29,295)	(391,607)
Fund cash balances, January 1	<u>277,413</u>	<u>120,915</u>	<u>334,070</u>	<u>30,610</u>	<u>763,008</u>
Fund cash balances, December 31:					
Restricted	-	112,437	334,070	1,315	447,822
Assigned	25,262	-	-	-	25,262
Unassigned (deficit)	<u>255,489</u>	<u>(357,172)</u>	<u>-</u>	<u>-</u>	<u>(101,683)</u>
Fund cash balances, December 31	<u>\$ 280,751</u>	<u>\$ (244,735)</u>	<u>\$ 334,070</u>	<u>\$ 1,315</u>	<u>\$ 371,401</u>

Village of Newburgh Heights, Ohio

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

For the year ended December 31, 2018

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>
	<u>Enterprise</u>	<u>Agency</u>
Operating cash receipts:		
Charges for services	\$ 25,282	\$ -
Mayor's court receipts	<u>-</u>	<u>324,826</u>
Total operating cash receipts	<u>25,282</u>	<u>324,826</u>
Operating cash disbursements:		
Contractual services	35,730	-
Mayor's court disbursements	<u>-</u>	<u>334,079</u>
Total operating cash disbursements	<u>35,730</u>	<u>334,079</u>
Net change in fund cash balances	(10,448)	(9,253)
Fund cash balances, January 1	<u>12,650</u>	<u>36,774</u>
Fund cash balances, December 31	\$ <u><u>2,202</u></u>	\$ <u><u>27,521</u></u>

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2018

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 9 to the financial statements provides additional information for these entities.

Jointly governed organization:

Northeast Ohio Public Energy Council (NOPEC)

Related Organization:

Newburgh Heights Community Improvement Corporation (the “Corporation”)

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

Basis of Presentation

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

Fund Accounting

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

1) General Fund

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

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2018

Note 1: Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

2) Special Revenue Funds

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

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

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

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

3) Debt Service Funds

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

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

4) Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Second Century Fund – The second century fund accounts for the development of property and capital projects.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2018

Note 1: Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

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 Enterprise Fund:

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

6) Fiduciary Funds

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's agency fund accounts for the collection and distribution of Mayor's Court fines, fees, and bonds.

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.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2018

Note 1: Summary of Significant Accounting Policies (continued)

Budgetary Process

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

1) Appropriations

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

2) Estimated Resources

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

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 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

Fund Balance

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

1) Nonspendable

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

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2018

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*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State statute.

5) Unassigned

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

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

Capital Assets

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

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2018

Note 1: Summary of Significant Accounting Policies (continued)

Accumulated Leave

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

Note 2: Equity in Pooled Deposits and Investments

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

	2018
Demand deposits	\$ 401,124
Total	\$ 401,124

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

Note 3: Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 4,514,152	\$ 4,762,892	\$ 248,740
Special Revenue	2,461,247	1,945,123	(516,124)
Debt Service	429,440	429,357	(83)
Capital Projects	8,955	8,955	-
Enterprise	25,282	25,282	-
Total	\$ 7,439,076	\$ 7,171,609	\$ (267,467)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,809,339	\$ 4,784,816	\$ 24,523
Special Revenue	2,325,349	2,310,773	14,576
Debt Service	431,530	429,357	2,173
Capital Projects	38,250	38,250	-
Enterprise	37,000	35,730	1,270
Total	\$ 7,641,468	\$ 7,598,926	\$ 42,542

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2018

Note 4: Compliance

Contrary to Ohio law, at December 31, 2018, the Grants / CDBG fund had a cash deficit balance of \$357,172.

Note 5: 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. Cuyahoga County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 6: Local Income Tax

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

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

Note 7: Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Income Tax Revenue Special Purpose Bonds, Series 2015	\$ 4,975,000	4.00-4.125%
Various Purpose Capital Improvement General Obligation Bonds (Limited Tax), Series 2016	900,000	4.00%
NOPEC Loan payable	<u>295,000</u>	5.25%
Total	<u>\$ 6,170,000</u>	

In 2015, the Village issued \$5,175,000 in bonds, maturing on December 1, 2030, for the purpose of acquiring, constructing and improving a new municipal building and police station.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2018

Note 7: Debt (continued)

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

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

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

Year	Special Purpose Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 105,000	\$ 200,694	\$ 55,000	\$ 35,402
2020	110,000	196,494	55,000	33,225
2021	115,000	192,094	60,000	30,960
2022	120,000	187,492	60,000	28,603
2023	125,000	182,694	65,000	26,150
2024-2028	700,000	834,464	355,000	90,358
2029-2033	845,000	683,862	250,000	17,796
2034-2038	1,030,000	500,066	-	-
2039-2043	1,250,000	276,516	-	-
2044-2045	575,000	35,886	-	-
Totals	\$ <u>4,975,000</u>	\$ <u>3,290,262</u>	\$ <u>900,000</u>	\$ <u>262,494</u>

Year	NOPEC Loan	
	Principal	Interest
2019	\$ 20,000	\$ 15,225
2020	20,000	14,175
2021	20,000	13,125
2022	20,000	12,075
2023	20,000	11,025
2024-2028	120,000	38,588
2029-2033	75,000	5,907
2034-2038	-	-
2039-2043	-	-
2044-2045	-	-
Totals	\$ <u>295,000</u>	\$ <u>110,120</u>

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2018

Note 7: Debt (continued)

Leases

The Village leases vehicles, equipment and turnout gear under non-cancelable leases. The Village disbursed \$89,290 to pay lease costs for the year ended December 31, 2018. The following is a schedule of the future minimum lease payments, including interest, required under the leases:

<u>Year</u>	<u>Leases</u>
2019	\$ 50,035
2020	43,834
2021	33,717
2022	23,599
2023	<u>8,328</u>
Total	\$ <u>159,513</u>

Note 8: 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 (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 9: Jointly Governed Organizations

Northeast Ohio Public Energy Council – The Village is a member of the Northeast Ohio Public Energy Council. NOPEC is a regional council of governments formed under Chapter 167 of the ORC. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of nearly 219 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.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2018

Note 9: Jointly Governed Organizations (continued)

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 fourteen-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 CIC is funded via the Village's general fund; Village Council votes via legislation to transfer amounts for specific transactions, as well as general expenses (bank fees, legal fees, etc.). In the current year the Village transferred \$434,550 to the Corporation.

Note 10: 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, 2018.

Village of Newburgh Heights, Ohio

Notes to the Financial Statements

For the year ended December 31, 2018

Note 10: Defined Benefit Pension Plans (continued)

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, 2018.

Social Security

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

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 11: 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 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4% during 2018. OP&F contributes 0.5% to fund these benefits.

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

Note 12: Contingent Liabilities

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

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**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION		
<i>Passed Through Ohio Department of Transportation</i>		
Highway Planning and Construction	20.205	\$ 1,251,172
Total U.S. Department of Homeland Security		1,251,172
Total Expenditures of Federal Awards		\$1,251,172

The accompanying notes are an integral part of this schedule.

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Village of Newburgh Heights (the Village) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position or changes in fund balances of the Village.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Village has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – MATCHING REQUIREMENTS

Certain Federal programs require the Village to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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 auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Newburgh Heights, Cuyahoga County, (the Village) as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated August 20, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

August 20, 2019

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Village of Newburgh Heights
Cuyahoga County
3801 Harvard Avenue
Newburgh Heights, Ohio 44105

To the Village Council:

Report on Compliance for the Major Federal Program

We have audited the Village of Newburgh Heights' (the Village) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Village of Newburgh Heights' major federal program for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Village's major federal program.

Management's Responsibility

The Village's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Village of Newburgh Heights complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

August 20, 2019

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA #20.205 – Highway Planning and Construction
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE KEITH FABER



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
SEPTEMBER 3, 2019**