



**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 & 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
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, 2000	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Fiduciary Fund Type – For the Year Ended December 31, 2000	4
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, 1999	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Fiduciary Fund Type – For the Year Ended December 31, 1999	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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, 2000 and December 31, 1999. 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 audits.

We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, 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, Ohio, as of December 31, 2000 and December 31, 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 3, 2001

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, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$822,232	\$129,095	\$0	\$0	\$5,900	\$957,227
Special Assessments					849	849
Intergovernmental Receipts	173,542	234,495				408,037
Charges for Services	79,213	5,860				85,073
Fines, Licenses, and Permits	233,766	45,683				279,449
Earnings on Investments	10,794					10,794
Miscellaneous	15,182	18,541				33,723
Total Cash Receipts	1,334,729	433,674	0	0	6,749	1,775,152
Cash Disbursements:						
Current:						
Security of Persons and Property	755,830	170,667			2,615	929,112
Public Health Services	1,342					1,342
Leisure Time Activities	8,958					8,958
Community Environment	903	25,169		38,044		64,116
Basic Utility Services	84,132					84,132
Transportation	127,035	104,193				231,228
General Government	393,315	38,871				432,186
Debt Service:						
Principal Payments			21,785			21,785
Capital Outlay	24,377	42,700		44,890		111,967
Total Cash Disbursements	1,395,892	381,600	21,785	82,934	2,615	1,884,826
Total Receipts Over/(Under) Disbursements	(61,163)	52,074	(21,785)	(82,934)	4,134	(109,674)
Other Financing Receipts/(Disbursements):						
Other Sources	250,000					250,000
Transfers-In	145,000		21,785	250,000		416,785
Transfers-Out	(250,000)			(166,785)		(416,785)
Total Other Financing Receipts/(Disbursements)	145,000	0	21,785	83,215	0	250,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	83,837	52,074	0	281	4,134	140,326
Fund Cash Balances, January 1	(19,072)	88,576	0	2,923	335	72,762
Fund Cash Balances, December 31	\$64,765	\$140,650	\$0	\$3,204	\$4,469	\$213,088
Reserves for Encumbrances, December 31	\$17,292	\$19,479	\$0	\$365	\$0	\$37,136

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 - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Agency</u>
Operating Cash Receipts:	
Charges for Services	\$0
Miscellaneous	
Total Operating Cash Receipts	0
Operating Cash Disbursements:	
Personal Services	0
Fringe Benefits	
Contractual Services	
Supplies and Materials	
Capital Outlay	
Total Operating Cash Disbursements	0
Operating Income/(Loss)	0
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	
Intergovernmental Receipts	
Proceeds from Notes and Bonds	
Other Non-Operating Receipts	335,681
Total Non-Operating Cash Receipts	335,681
Non-Operating Cash Disbursements:	
Debt Service	
Other Non-Operating Cash Disbursements	333,607
Total Non-Operating Cash Disbursements	333,607
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	2,074
Fund Cash Balances, January 1	3,504
Fund Cash Balances, December 31	\$5,578
Reserve for Encumbrances, December 31	\$0

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, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$779,743	\$129,599	\$0	\$0	\$5,898	\$915,240
Special Assessments					851	851
Intergovernmental Receipts	164,004	266,718				430,722
Charges for Services	52,328	9,057				61,385
Fines, Licenses, and Permits	151,050	27,194				178,244
Earnings on Investments	4,989					4,989
Miscellaneous	40,136					40,136
Total Cash Receipts	1,192,250	432,568	0	0	6,749	1,631,567
Cash Disbursements:						
Current:						
Security of Persons and Property	730,351	127,078			17,800	875,229
Public Health Services	1,403					1,403
Leisure Time Activities	7,428					7,428
Community Environment	289	70,537				70,826
Basic Utility Services	110,359					110,359
Transportation	77,199	98,602				175,801
General Government	399,778	21,994				421,772
Debt Service:						
Principal Payments		15,090	21,801			36,891
Capital Outlay	21,897	84,271				106,168
Total Cash Disbursements	1,348,704	417,572	21,801	0	17,800	1,805,877
Total Receipts Over/(Under) Disbursements	(156,454)	14,996	(21,801)	0	(11,051)	(174,310)
Other Financing Receipts/(Disbursements):						
Transfers-In			21,801			21,801
Transfers-Out	(21,801)					(21,801)
Total Other Financing Receipts/(Disbursements)	(21,801)	0	21,801	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(178,255)	14,996	0	0	(11,051)	(174,310)
Fund Cash Balances January 1	159,183	73,580	0	2,923	11,386	247,072
Fund Cash Balances, December 31	(\$19,072)	\$88,576	\$0	\$2,923	\$335	\$72,762
Reserves for Encumbrances, December 31	\$18,650	\$11,778	\$0	\$0	\$0	\$30,428

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 - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Agency</u>
Operating Cash Receipts:	
Charges for Services	\$0
Miscellaneous	_____
Total Operating Cash Receipts	0
Operating Cash Disbursements:	
Personal Services	
Fringe Benefits	
Contractual Services	
Supplies and Materials	
Capital Outlay	_____
Total Operating Cash Disbursements	0
Operating Income/(Loss)	0
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	
Intergovernmental Receipts	
Proceeds from Notes and Bonds	
Other Non-Operating Receipts	_____ 215,895
Total Non-Operating Cash Receipts	215,895
Non-Operating Cash Disbursements:	
Debt Service	
Other Non-Operating Cash Disbursements	_____ 220,674
Total Non-Operating Cash Disbursements	220,674
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(4,779)
Fund Cash Balances, January 1	8,283
Fund Cash Balances, December 31	\$3,504
Reserve for Encumbrances, December 31	\$0

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, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Newburgh Heights, Cuyahoga County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. 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. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

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

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

This fund is used to accumulate resources for the payment of a note issued for the purchase of land. This note has been paid in full as of December 31, 2000.

4. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified 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 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.

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.

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process(Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not encumber all commitments required by Ohio law.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2000</u>	<u>1999</u>
Demand Deposits	218,666	76,266
Total Deposits	<u>\$218,666</u>	<u>\$76,266</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

Investments: The Village's agent holds securities collateralizing repurchase agreements. The securities are not in the Village's name.

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,441,802	\$1,729,729	\$287,927
Special Revenue	598,082	433,674	(164,408)
Debt Service	20,375	21,785	1,410
Capital Projects	0	250,000	250,000
Expendable Trust	<u>6,760</u>	<u>6,749</u>	<u>(11)</u>
Total	<u>\$2,067,019</u>	<u>\$2,441,937</u>	<u>\$374,918</u>

Contrary to Ohio law, budgetary appropriations exceeded the Certificate of Estimated Resources in the Capital Project and Debt Service Funds for the year ended December 31, 2000.

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,396,619	\$1,663,184	(\$266,565)
Special Revenue	377,458	401,079	(23,621)
Debt Service	21,785	21,785	0
Capital Projects	82,934	250,084	(167,150)
Expendable Trust	<u>2,615</u>	<u>2,615</u>	<u>0</u>
Total	<u>\$1,881,411</u>	<u>\$2,338,747</u>	<u>(\$457,336)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and Capital Project Funds and the Special Revenue Fund type for the year ended December 31, 2000. Additionally, contrary to Ohio law, at December 31, 2000, the Community Development Block Grant fund, a Special Revenue Fund type had a cash deficit balance.

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,272,012	\$1,192,250	(\$79,762)
Special Revenue	499,607	432,568	(67,039)
Debt Service	21,801	21,801	0
Capital Projects	0	0	0
Expendable Trust	<u>13,934</u>	<u>6,749</u>	<u>(7,185)</u>
Total	<u>\$1,807,354</u>	<u>\$1,653,368</u>	<u>(\$153,986)</u>

Contrary to Ohio law, budgetary appropriations exceeded the Certificate of Estimated Resources in the Community Development Block Grant Fund, a Special Revenue Fund type, for the year ended December 31, 1999.

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,365,107	\$1,389,155	(\$24,048)
Special Revenue	417,610	429,350	(11,740)
Debt Service	21,801	21,801	0
Capital Projects	0	0	0
Expendable Trust	<u>17,800</u>	<u>17,800</u>	<u>0</u>
Total	<u>\$1,822,318</u>	<u>\$1,858,106</u>	<u>(\$35,788)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and Special Revenue Fund types at December 31, 1999. Additionally, the General Fund as well as the Community Development Block Grant and the Cops Fast Grant, which are Special Revenue Fund types, had cash deficit balances at December 31, 1999.

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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 with 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 1.5 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 monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries through June 30, 2000. Commencing July 1, 2000, PERS temporarily reduced employer contributions to 8.13%. The Village has paid all contributions required through December 31, 2000.

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles, emergency medical services, law enforcement liability; and
- Commercial catastrophe liability, and errors and omissions.

The Village also provides health insurance to full-time employees through a private carrier.

8. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 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 2000. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL
CONTROL 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 accompanying financial statements of the Village of Newburgh Heights, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated December 3, 2001. We conducted our audits in accordance with 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2000-30818-001, 2000-30818-002, 2000-30818-003, and 2000-30818-004. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated December 3, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal controls over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-30818-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated December 3, 2001.

This report is intended solely for the information and use of management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 3, 2001

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-30818-001

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any expenditure of money unless it has been properly appropriated. The following funds had expenditures plus outstanding encumbrances that exceeded appropriations for the year ending December 31, 2000:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess Expenditures</u>
General	\$1,396,619	\$1,663,184	(\$266,565)
Capital Project	82,934	250,084	(167,150)

The Village should monitor the expenditures in comparison to appropriations.

FINDING NUMBER 2000-30818-002

Noncompliance Citation

Ohio Revised Code Section 5705.10, requires that "money paid into any fund shall be used for only the purposes for which such fund is established." The following fund had a negative cash fund balance for the year ending December 31, 2000.

<u>Fund</u>	<u>Negative Fund Balance</u>
CDBG	(\$63,292)

The following funds had a negative cash fund balance for the year ending December 31, 1999:

<u>Fund</u>	<u>Negative Fund Balance</u>
General	(\$19,072)
Special Revenue	
CDBG	(86,858)
CopsFast Grant	(75,000)

The negative fund balances noted above indicate that money from other funds was used to pay for obligations of the above funds.

The Village had negative fund balances in the CDBG and CopsFast Grant funds in 1999 and 2000, due to the fact the Village was not requesting reimbursements for these grants when the reimbursement was available.

The Village should request reimbursements as expenditures are made.

VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)

FINDING NUMBER 2000-30818-003

Noncompliance Citation

Ohio Rev. Code Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue. The following fund was in violation of this Revised Code section for the year ending December 31, 2000:

<u>Fund</u>	<u>Appropriations</u>	<u>Certificate of Est. Resources</u>	<u>Excess Appropriations</u>
Capital Projects	\$ 82,934	\$ 2,923	\$(80,011)

The following fund was in violation of this Revised Code section for the year ending December 31, 1999:

<u>Fund</u>	<u>Appropriations</u>	<u>Certificate of Est. Resources</u>	<u>Excess Appropriations</u>
CDBG	\$127,412	\$ 40,479	\$(86,933)

FINDING NUMBER 2000-30818-004

Noncompliance Citation

Ohio Rev. Code Section 117.38, requires that cash-basis entities file annual reports with the Auditor of State's office within 60 days of their fiscal year end.

Contrary to this Code section the Village did not complete its financial statements for 1999 and 2000 until August 2001.

We recommend the Village file its annual reports within 60 days of fiscal year end.

FINDING NUMBER 2000-30818-005

Reportable Condition

Cash Reconciliation Procedures

During our review of the cash reconciliations, we noted the following conditions:

- The Village's monthly cash reconciliation procedures did not provide for the review of the reconciliation prepared by the Clerk-Treasurer;
- The bank reconciliation was not reported to the Mayor or Council along with monthly financial reports;
- The bank reconciliation at December 31, 1998 through December 31, 2000 had an unreconciled difference of \$2,396;
- The outstanding check listings for the audit period were not always accurate;

**VILLAGE OF NEWBURGH HEIGHTS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

FINDING NUMBER 2000-30818-005 - Continued

Reportable Condition

Cash Reconciliation Procedures

- Approximately 100 checks were written during the two year period which were not posted to the ledgers in a timely manner;
- One outstanding check from 1995 and three from 1998, totaling \$335.25, made the reconciliation process cumbersome;
- The Village's zero balance payroll and fines/permits accounts were not reconciled. At December 31, 2000, these two accounts carried balances of approximately \$600 and \$4,100, respectively.
- The Village did not reconcile its 1999 and 2000 ledgers to the bank statements, until October 2001.

Without accurate monthly reconciliations, the Village may have errors or irregularities that are not detected.

We recommend the reconciliations be initialed and dated by the Village administrator to show evidence of review and that reconciliations be included in monthly financial reports given to the Council and Mayor. The Village should make additional efforts to resolve the unreconciled differences when first noted. In addition, the Village should establish a process of removing long-time outstanding checks and placing the funds in an unclaimed funds account. The Village should verify that the payroll and permit/fines accounts were reconciled to zero every month. Finally, all checks should be posted to the ledger when written.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
DECEMBER 27, 2001**