



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF NEW WATERFORD
COLUMBIANA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of New Waterford
Columbiana County
3760 Village Park Drive
New Waterford, Ohio 44445

To the Village Council:

We have audited the accompanying financial statements of the Village of New Waterford (the Village) as of and for the year ended December 31, 2001. 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.

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides 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 of the Village as of December 31, 2001, 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 10, 2002 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 audit.

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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

December 10, 2002

**VILLAGE OF NEW WATERFORD
COLUMBIANA 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, 2001**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$84,645	\$17,566	\$0	\$0	\$102,211
Intergovernmental Receipts	44,131	51,408			95,539
Charges for Services		29,972		130	30,102
Fines, Licenses, and Permits	2,454				2,454
Earnings on Investments	4,208	198		5,483	9,889
Miscellaneous	15,369	1,001	35	1,042	17,447
Total Cash Receipts	<u>150,807</u>	<u>100,145</u>	<u>35</u>	<u>6,655</u>	<u>257,642</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	128,462	34,309			162,771
Leisure Time Activities	8,765			6,027	14,792
Transportation	277	58,098			58,375
General Government	29,700				29,700
Debt Service:					
Debt Service		18,931	7,003		25,934
Total Cash Disbursements	<u>167,204</u>	<u>111,338</u>	<u>7,003</u>	<u>6,027</u>	<u>291,572</u>
Total Receipts Over/(Under) Disbursements	<u>(16,397)</u>	<u>(11,193)</u>	<u>(6,968)</u>	<u>628</u>	<u>(33,930)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In			6,990		6,990
Transfers-out					0
Other Financing Sources	0	46	0	0	46
Other Financing Uses	(521)				(521)
Total Other Financing Receipts/(Disbursements)	<u>(521)</u>	<u>46</u>	<u>6,990</u>	<u>0</u>	<u>6,515</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(16,918)</u>	<u>(11,147)</u>	<u>22</u>	<u>628</u>	<u>(27,415)</u>
Fund Cash Balances, January 1	<u>28,629</u>	<u>83,877</u>	<u>14</u>	<u>152,139</u>	<u>264,659</u>
Fund Cash Balances, December 31	<u><u>\$11,711</u></u>	<u><u>\$72,730</u></u>	<u><u>\$36</u></u>	<u><u>\$152,767</u></u>	<u><u>\$237,244</u></u>

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

**VILLAGE OF NEW WATERFORD
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$432,315
Miscellaneous	2,633
	434,948
Total Operating Cash Receipts	434,948
Operating Cash Disbursements:	
Personal Services	75,436
Contractual Services	130,016
Supplies and Materials	43,544
Capital Outlay	27,861
	276,857
Total Operating Cash Disbursements	276,857
Operating Income/(Loss)	158,091
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	32
	32
Total Non-Operating Cash Receipts	32
Non-Operating Cash Disbursements:	
Debt Service	161,820
Other Non-Operating Cash Disbursements	1,920
	163,740
Total Non-Operating Cash Disbursements	163,740
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(5,617)
Transfers-In	159,907
Transfers-Out	(166,897)
Net Receipts Over/(Under) Disbursements	(12,607)
Fund Cash Balances, January 1	211,080
Fund Cash Balances, December 31	\$198,473

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

**VILLAGE OF NEW WATERFORD
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New Waterford, Columbiana County, (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 water and sewer utilities, park operations, and police 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 reported as assets. 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.

Certificates of deposit are valued at cost.

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.

Unity Fire Fund -This fund is used to pay for fire fighting services from Unity Township.

**VILLAGE OF NEW WATERFORD
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

Kubota Tractor Debt Service Fund– This fund is used to pay the debt on the Kubota Tractor.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

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 fund:

New Waterford Village Park Fund – This fund accounts for money donated to the village in order to maintain, repair, and buy new equipment for the New Waterford Village Park.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level, 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 cash as of January 1. The County Budget Commission must also approve estimated resources.

VILLAGE OF NEW WATERFORD
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Encumbrances

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

A summary of 2001 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 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 investments 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:

	2001
Demand deposits	\$325,717
Certificates of deposit	110,000
Total deposits	435,717

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool .

**VILLAGE OF NEW WATERFORD
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$149,439	\$150,807	\$1,368
Special Revenue	97,035	100,191	3,156
Debt Service	6,993	7,025	32
Enterprise	583,104	594,887	11,783
Fiduciary	5,000	6,655	1,655
Total	\$841,571	\$859,565	\$17,994

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$170,921	\$167,725	\$3,196
Special Revenue	180,060	111,338	68,722
Debt Service	6,993	7,003	(10)
Enterprise	768,321	607,494	160,827
Fiduciary	57,139	6,027	51,112
Total	\$1,183,434	\$899,587	\$283,847

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 payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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.

**VILLAGE OF NEW WATERFORD
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$998,530	0%-8.35%
General Obligation Notes	248,730	5.82%-8.52%
Total	<u>\$1,247,260</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$1,374,929 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$65,539, including interest, over 25 years. The scheduled payment amount below assumes that \$1,374,929 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The Village also has a loan with OWDA to pay for the engineering plans for improvements to the wastewater treatment system for \$50,000, interest free, to be paid in annual payments of \$5,000. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The General Obligation Notes relate to purchase of a fire truck, pickup truck, and water/sewer plant renovations. The terms of these notes are as follows:

The fire truck note was issued for \$84,421, to be paid in bi-annual payments of \$8,436 including interest for six years. The pickup truck note was issued for \$18,255, to be paid in monthly payments of \$378 including interest for five years. The water/sewer plant renovation notes were issued for \$230,000 to be paid in semiannual average principal installments of \$5,618 and semiannual interest payments and a balloon payment at the end of five years in the amount of \$173,815.

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

Year ending December 31:	<u>OWDA Loan</u>	<u>General Obligation Notes</u>
2002	136,078	21,404
2003	136,078	21,404
2004	136,078	21,404
2005	136,078	4,531
2006	136,078	4,531
Subsequent	815,556	0
Total	<u>\$1,495,946</u>	<u>\$73,274</u>

**VILLAGE OF NEW WATERFORD
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

7. 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 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001. The Village has not paid all contributions required through December 31, 2001.

The Village failed to properly submit the required contributions to the OP&F as prescribed by Ohio Revised Code Sections 742.31, 742.32, and 742.33(A). This resulted in the Village being assessed penalties and interest as prescribed by Ohio Revised Code Section 742.352.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Wrongful Acts
- Inland Marine
- Crime

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



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of New Waterford
Columbiana County
3760 Village Park Drive
New Waterford, Ohio 44445

To the Village Council:

We have audited the accompanying financial statements of the Village of New Waterford (the Village) as of and for the year ended December 31, 2001, and have issued our report thereon dated December 10, 2002. 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 *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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-31215-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated December 10, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated December 10, 2002.

Village of New Waterford
Columbiana County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

Jim Petro
Auditor of State

December 10, 2002

**VILLAGE OF NEW WATERFORD
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001**

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

FINDING NUMBER 2001-31215-001

Noncompliance Citation

The Village did not enroll its full-time police officer and the Chief of Police in the Police and Firemen's Disability and Pension Fund, rather, they were enrolled in the Public Employees Retirement System from February 1996 through October 1999.

Ohio Revised Code Section 742.31 states in part "Each employee shall contribute to the Police and Firemen's Disability and Pension Fund. The amount shall be deducted by the employer from the employee's salary".

Ohio Revised Code Section 742.32 states in part "The fiscal officer of each employer shall transmit promptly to the secretary of the board of trustees of the Police and Firemen's Disability and Pension Fund a report of employee deductions at such intervals and in such form as the board requires...Where an employer fails or refuses to deduct contributions for any employee and transmit such amounts to the fund, the board may make a determination of the employee's liability for contributions and certify to the employer the amounts due for collection in the same manner and subject to the same penalties as payments due the employer's contribution funds".

Ohio Revised Code Section 742.33 (A) provides each employer shall pay quarterly, from its general fund, to the fund and amount, certified by the secretary of the board known as the "policemen employer's contribution." Ohio Revised Code Section 742.35 provides each employer shall pay its annual policemen employer's contribution in four equal installments promptly after such amount is certified by the secretary of the board of trustees of the Police and Firemen's Disability and Pension Fund, as provided in section 742.33 Revised Code.

Ohio Revised Code Section 742.352 state in part "...amounts which remain unpaid shall be subject to a penalty for late payment. In addition, interest on past due accounts and penalties may be charged".

The fiscal officer of the Village failed to properly contribute the employees and employer's share to the Police and Firemen's Disability and Pension Fund for two village police officers for the period February 1996 through October 1999 as prescribed above. The amounts owed by the Village for this period totaled \$11,414.80 for the employees share and \$20,720.22 for the employers share respectively.

In addition to the two amounts identified in the preceding paragraph, \$10,088.54 in penalties and interest was assessed to the Village as prescribed by Section 742.352 Revised Code.

The total owed Police and Firemen's Disability and Pension Fund by the Village for failure to comply with Ohio Revised Code Sections 742.31, 742.32, 742.33 (A), and 742.352, was \$42,223.56.

Since the village had made erroneous contributions to Public Employees Retirement System for the full-time police officer and the Chief of Police, the Village requested and received a refund from Public Employees Retirement System. In March 2000 the Village received a total of \$9,709.50 for the employees share and in April 2000 \$15,447.91 for the employer's share from Public Employees Retirement System. These funds were posted to the Village's general fund, however they were never budgeted or used to off-set the Villages obligation to Police and Firemen's Disability and Pension Fund.

The Village made payment to Police and Firemen's Disability and Pension Fund for its delinquent contributions including penalties and interest by borrowing money through a note agreement with Sky Bank on June 19, 2002 for \$42,223.56 and issuing warrant #31334 on June 20, 2002 for the like amount to the Police and Firemen's Disability and Pension Fund.

We recommend that the Village establish policies and procedures that would provide assurance that the Village's police officer's are enrolled and contribute to police and firemen's disability pension fund.

VILLAGE OF NEW WATERFORD
COLUMBIANA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-31215-001	The Village failed to establish adequate procedures to account for fund raisers	Yes	Finding no longer valid.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF NEW WATERFORD

COLUMBIANA 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
JANUARY 2, 2003**