



**Auditor of State  
Betty Montgomery**



VILLAGE OF NEW WATERFORD  
COLUMBIANA COUNTY

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**Auditor of State  
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of New Waterford  
Columbiana County  
3759 Silliman Street  
P.O. Box 287  
New Waterford, Ohio 44445

To the Village Council:

We have audited the accompanying financial statements of the Village of New Waterford, Columbiana County (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in paragraph four, 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

Accounting records were not adequately maintained by the Mayor's Court. We were therefore unable to form an opinion on the activity of the Mayor's Court which is presented in the financial statements as an Agency Fund. The Court's activity represents 100% of fines, licenses, and permits and other disbursements as reported in the Agency Funds.

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, except for the effects of such adjustments, if any, as might have been necessary had we been able to examine the accounting records of the Agency Fund as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, 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 February 10, 2005 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 the management, the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 10, 2005

VILLAGE OF NEW WATERFORD  
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$84,185	\$17,231			\$101,416
Intergovernmental Receipts	48,321	55,284			103,605
Charges for Services	902	30,294			31,196
Fines, Licenses, and Permits	25,265				25,265
Earnings on Investments	554				554
Miscellaneous	1,201	371			1,572
	<hr/>	<hr/>			<hr/>
Total Cash Receipts	160,428	103,180			263,608
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	147,000	28,321			175,321
Leisure Time Activities	9,801				9,801
Transportation	1,699	39,305			41,004
General Government	28,133				28,133
Debt Service:					
Principal Payments	12,152	6,000			18,152
Interest Payments	78	1,227			1,305
	<hr/>	<hr/>			<hr/>
Total Cash Disbursements	198,863	74,853			273,716
Total Receipts Over/(Under) Disbursements	(38,435)	28,327			(10,108)
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Notes	18,500				18,500
Sale of Fixed Assets	200				200
Transfers-In	8,079	2,229		1,420	11,728
Advances-In	6,000	1,000			7,000
Transfers-Out		(2,229)	(33)		(2,262)
Advances-Out	(6,000)	(1,000)			(7,000)
Other Financing Sources	731				731
Other Financing Uses		(616)			(616)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	27,510	(616)	(33)	1,420	28,281
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(10,925)	27,711	(33)	1,420	18,173
Fund Cash Balances, January 1	19,164	54,536	33		73,733
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$8,239</b>	<b>\$82,247</b>	<b>\$0</b>	<b>\$1,420</b>	<b>\$91,906</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	\$651	\$59	\$0	\$0	\$710

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 AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$515,751			\$515,751
Fines, Licenses and Permits			\$18,245	18,245
Earnings on Investments		\$2,230		2,230
<b>Total Operating Cash Receipts</b>	<b>515,751</b>	<b>2,230</b>	<b>18,245</b>	<b>536,226</b>
<b>Operating Cash Disbursements:</b>				
Personal Services	85,718		15,509	101,227
Fringe Benefits	9,245		1,959	11,204
Contractual Services	187,701	5,429	660	193,790
Supplies and Materials	27,132	2,222	1,856	31,210
Other	6,409	2,931	18,245	27,585
Capital Outlay	137,184	3,625	4,079	144,888
<b>Total Operating Cash Disbursements</b>	<b>453,389</b>	<b>14,207</b>	<b>42,308</b>	<b>509,904</b>
Operating Income/(Loss)	62,362	(11,977)	(24,063)	26,322
<b>Non-Operating Cash Receipts:</b>				
Intergovernmental Receipts	55,144	12,645	42,471	110,260
Miscellaneous Receipts	1,076	173		1,249
Other Non-Operating Receipts		495		495
<b>Total Non-Operating Cash Receipts</b>	<b>56,220</b>	<b>13,313</b>	<b>42,471</b>	<b>112,004</b>
<b>Non-Operating Cash Disbursements:</b>				
Debt Service	164,820			164,820
<b>Total Non-Operating Cash Disbursements</b>	<b>164,820</b>			<b>164,820</b>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(46,238)	1,336	18,408	(26,494)
Transfers-In	158,820			158,820
Advances-In			6,000	6,000
Transfers-Out	(158,820)		(9,466)	(168,286)
Advances-Out			(6,000)	(6,000)
<b>Net Receipts Over/(Under) Disbursements</b>	<b>(46,238)</b>	<b>1,336</b>	<b>8,942</b>	<b>(35,960)</b>
Fund Cash Balances, January 1	295,735	131,940		427,675
<b>Fund Cash Balances, December 31</b>	<b>\$249,497</b>	<b>\$133,276</b>	<b>\$8,942</b>	<b>\$391,715</b>
Reserve for Encumbrances, December 31	\$381	\$0	\$98	\$479

*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 GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$89,066	\$17,868		\$106,934
Intergovernmental Receipts	32,062	54,269		86,331
Charges for Services	203	29,904		30,107
Fines, Licenses, and Permits	6,775			6,775
Earnings on Investments	1,267			1,267
Miscellaneous	16,842	854		17,696
Total Cash Receipts	146,215	102,895		249,110
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	143,063	30,745		173,808
Leisure Time Activities	8,547			8,547
Transportation	2,904	27,132		30,036
General Government	22,457			22,457
Debt Service:				
Principal Payments	3,605	12,695		16,300
Interest Payments	1,263	48,987		50,250
Total Cash Disbursements	181,839	119,559		301,398
Total Receipts Under Disbursements	(35,624)	(16,664)		(52,288)
<b>Other Financing Receipts and (Disbursements):</b>				
Sale of Notes	42,224			42,224
Other Financing Sources		169		169
Other Financing Uses		(850)		(850)
Advances-In		28		28
Advances-Out		(28)		(28)
Total Other Financing Receipts/(Disbursements)	42,224	(681)		41,543
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	6,600	(17,345)		(10,745)
Fund Cash Balances, January 1	12,564	71,881	33	84,478
<b>Fund Cash Balances, December 31</b>	<b><u>\$19,164</u></b>	<b><u>\$54,536</u></b>	<b><u>\$33</u></b>	<b><u>\$73,733</u></b>

*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 AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$497,002			\$497,002
Earnings on Investments		\$4,454		4,454
Fines, Licenses, and Permits			\$8,630	8,630
Miscellaneous		965		965
<b>Total Operating Cash Receipts</b>	<b>497,002</b>	<b>5,419</b>	<b>8,630</b>	<b>511,051</b>
<b>Operating Cash Disbursements:</b>				
Personal Services	78,220			78,220
Contractual Services	148,111	3,843		151,954
Supplies and Materials	17,692	1,000		18,692
Other	4,974	1,792	8,630	15,396
Capital Outlay	57,566	19,612		77,178
<b>Total Operating Cash Disbursements</b>	<b>306,563</b>	<b>26,247</b>	<b>8,630</b>	<b>341,440</b>
Operating Income/(Loss)	190,439	(20,828)		169,611
<b>Non-Operating Cash Receipts:</b>				
Intergovernmental Receipts	1,440			1,440
<b>Total Non-Operating Cash Receipts</b>	<b>1,440</b>			<b>1,440</b>
<b>Non-Operating Cash Disbursements:</b>				
Debt Service	94,510			94,510
<b>Total Non-Operating Cash Disbursements</b>	<b>94,510</b>			<b>94,510</b>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	97,369	(20,828)		76,541
Transfers-In	92,450			92,450
Transfers-Out	(92,450)			(92,450)
Net Receipts Over/(Under) Disbursements	97,369	(20,828)		76,541
Fund Cash Balances, January 1	198,366	152,768		351,134
<b>Fund Cash Balances, December 31</b>	<b><u>\$295,735</u></b>	<b><u>\$131,940</u></b>	<b><u>\$0</u></b>	<b><u>\$427,675</u></b>

*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, 2003 AND 2002**

**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, fire, and ambulance 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 Investment**

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:

**VILLAGE OF NEW WATERFORD  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

*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.

**3. Debt Service Fund**

This fund was used to accumulate resources for the payment of note indebtedness acquired to finance the purchase of a Kubota tractor. The note indebtedness had been paid in full, but a cash balance remained in the fund which was transferred to the General Fund.

**4. Capital Project Funds**

These funds are 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). The Village had the following significant capital project fund:

*Construction Fund* – This fund receives proceeds from local income taxes. The proceeds are to be used for capital improvements.

**5. 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.

**6. 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. The Village has only one trust fund, the Village Park Fund, which is classified as nonexpendable. This fund accounts for money donated to the Village to maintain, repair, and purchase equipment for the New Waterford Park.

**VILLAGE OF NEW WATERFORD  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**6. Fiduciary Funds (Trust and Agency) (Continued)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant agency funds:

*Mayor's Court Fund* – This fund receives and disburses fines and court costs collected by the Mayor's Court. This activity is appended to and reported in the financial statements.

*Income Tax Fund* – This fund receives proceeds of a 1% annual income tax to be used for general operating expenses and capital improvements in the Village.

**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, 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. 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.

**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 2003 and 2002 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.

**VILLAGE OF NEW WATERFORD  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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:

	2003	2002
Demand deposits	\$383,621	\$401,408
Certificates of deposit	100,000	100,000
Total deposits	\$483,621	\$501,408

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$209,602	\$187,938	(\$21,664)
Special Revenue	97,588	105,409	7,821
Capital Projects	0	1,420	1,420
Enterprise	730,061	730,791	730
Fiduciary	73,000	76,259	3,259
Total	\$1,110,251	\$1,101,817	(\$8,434)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$211,692	\$199,514	\$12,178
Special Revenue	116,372	77,757	38,615
Debt Service	33	33	0
Enterprise	846,577	777,410	69,167
Fiduciary	91,117	66,079	25,038
Total	\$1,265,791	\$1,120,793	\$144,998

**VILLAGE OF NEW WATERFORD  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$202,072	\$188,439	(\$13,633)
Special Revenue	102,829	103,064	235
Enterprise	644,394	590,892	(53,502)
Fiduciary	13,630	14,049	419
Total	\$962,925	\$896,444	(\$66,481)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$212,738	\$181,839	\$30,899
Special Revenue	170,074	120,409	49,665
Enterprise	802,461	493,523	308,938
Fiduciary	37,800	34,877	2,923
Total	\$1,223,073	\$830,648	\$392,425

**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.

**5. LOCAL INCOME TAX**

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

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

**VILLAGE OF NEW WATERFORD  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$910,304	0.00-8.35%
General Obligation Notes	<u>195,794</u>	4.76-8.28%
Total	<u><u>\$1,106,098</u></u>	

The Ohio Water Development Authority (OWDA) loans relate to water and sewer plant expansion projects that were mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$1,374,929 in loans to the Village for these projects. 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 amounts below will be adjusted to reflect any revisions in amounts actually borrowed. 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 the purchase of a police cruiser and water/sewer plant renovations. A General Obligation Note has also been issued to make payment to the Police and Firemen's Disability and Pension Fund for delinquent contributions including interest and penalties.

The Water/Sewer Plant Renovation Note was issued for \$173,695 to be paid in monthly principal and interest installments of \$1,828 for the first 36 months and \$1,869 for the remaining term of the note or 84 months. The Police Cruiser Note was issued for \$18,500, to be paid in monthly payments of \$352 including interest for five years. The Pension Note was issued for \$42,350, to be paid in monthly payments of \$814 including interest for five years.

The General Obligation Notes are collateralized by the Village's taxing authority.

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

	<u>OWDA Loans</u>	<u>General Obligation Notes</u>
Year ending December 31:		
2004	\$136,078	\$35,928
2005	136,078	36,297
2006	136,078	36,420
2007	136,078	31,536
2008	136,078	23,484
2006-2014	<u>543,400</u>	<u>72,891</u>
Total	<u><u>\$1,223,790</u></u>	<u><u>\$236,556</u></u>

**VILLAGE OF NEW WATERFORD  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(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 2003 and 2002, 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. The Village has paid all contributions required through December 31, 2003.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risk:

- Comprehensive property and general liability;
- Vehicles;
- Wrongful acts;
- Inland marine; and
- Crime.

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

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## Auditor of State Betty Montgomery

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

Village of New Waterford  
Columbiana County  
3759 Silliman Street  
P.O. Box 287  
New Waterford, Ohio 44445

To the Village Council:

We have audited the financial statements of the Village of New Waterford (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated February 10, 2005 which was qualified since certain information related to Agency Funds receipts and disbursements were not available for audit and wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. Except for the preceding matter related to the Agency Funds, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

#### 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 of New Waterford's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-003.

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 over financial reporting 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 management of the Village in a separate letter dated February 10, 2005.

This report is intended solely for the information and use of the management and the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 10, 2005

**VILLAGE OF NEW WATERFORD  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

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

**FINDING NUMBER 2003-001  
FINDING FOR RECOVERY**

**Ambulance Personnel Pay Rates**

Section 4:1 (D-1) and (D-2) of Village Ordinance Numbers 2002-02-03 and 2003-03-05 set forth the job classifications, pay rates and the parameters for the receipt of such rates within the ambulance service provided by the New Waterford Volunteer Fire Association. The Ordinances state, in part, that all ambulance personnel shall receive the pay rates as established for time actually engaged in an emergency medical service run. Ambulance personnel were paid by the Village based upon payroll reports submitted by the Fire Chief. The payroll reports were prepared from individual trip run sheets which served as the official records of the emergency runs made.

There were instances throughout the years ending December 31, 2003 and 2002 that the Village made payments to ambulance personnel for time spent on standby at such functions as the Shaker Woods Festival and Crestview Local School District athletic events. The hours spent on standby were listed in the payroll reports and documented by individual trip run sheets.

The Village Solicitor, in a written opinion to Council dated November 13, 2003, concluded that such waiting time at the Shaker Woods Festival, Crestview Local School District athletic events, and other non-emergency call activities did not fall within the parameters for which the Village has agreed to pay the ambulance personnel and, therefore, any requests for payments to individuals providing such services should not be paid.

Following is a summary of payments made by the Village to ambulance personnel for standby time:

<b>YEAR ENDED DECEMBER 31, 2002</b>					
<b>DATE</b>	<b>TRIP NUMBER</b>	<b>TIME FROM</b>	<b>TIME TO</b>	<b>AMOUNT PAID</b>	
5/19/2002	02N104	1300	1600	\$32.00	
8/10/2002	02N149	1000	1700	46.00	
8/11/2002	02 N150	1000	1700	46.00	
8/17/2002	02 N154	1000	1800	46.00	
8/22/2002	02N157	1900	2000	115.00	
8/24/2002	02N159	1000	1800	46.00	
8/25/2002	02N160	1000	1800	46.00	
8/31/2002	02N162	1200	1800	96.00	
9/5/2002	02N165	1700	2000	48.00	
9/12/2002	02N173	1700	2000	48.00	
9/13/2002	02N175	1930	2130	46.00	
9/13/2002	02N177	No Record	No Record	32.00	
9/19/2002	02N181	1930	2130	46.00	
9/26/2002	02N184	1700	2000	48.00	
9/28/2002	02N186	1200	1800	96.00	
10/4/2002	02N194	1930	2130	46.00	
10/10/2002	02N200	1700	1900	32.00	
10/17/2002	02N205	1900	2200	32.00	
<b>TOTAL - 2002</b>				<b>\$947.00</b>	

**YEAR ENDED DECEMBER 31, 2003**

<b>DATE</b>	<b>TRIP NUMBER</b>	<b>FROM</b>	<b>TO</b>	<b>AMOUNT PAID</b>
2/12/2003	03N024	1700	2000	\$93.00
8/9/2003	03N112	1000	1700	80.00
8/16/2003	03N115	1000	1700	76.00
8/24/2003	03N121	1000	1700	16.00
8/24/2003	03N122	1700	1900	46.00
<b>TOTAL 2003</b>				\$311.00
<b>GRAND TOTAL</b>				\$1,258.00

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against the New Waterford Volunteer Fire Association and Bryan Henderson, Fire Chief, in the amount of one thousand two hundred fifty eight dollars (\$1,258), and in favor of the Village of New Waterford, to the credit of the Ambulance Fund.

**FINDING NUMBER 2003-002**  
**MATERIAL CITATION**

**Mayor's Court**

**Ohio Rev. Code Section 1905.21**, provides in part that the mayor of a municipal corporation and a mayor's court magistrate shall keep a docket and that the mayor shall account for and dispose of all such fines, forfeitures, fees, and costs collected.

**Ohio Rev. Code Section 1905.01(F)** states that in keeping a docket and files, the mayor and mayor's court magistrate appointed under section 1905.05 of the Revised Code, shall be governed by the laws pertaining to county courts. **Ohio Rev. Code Section 19075.21** states each clerk of a county clerk shall keep an alphabetical index to his docket, in which he shall enter the names of the parties to each judgment, direct and reverse, with a reference to the page of the entry. The names of the parties shall be entered in the index in the alphabetical order of the first letter of the family name. The clerk shall number the cases progressively on his docket, and shall correspondingly number the papers in each case. The clerk shall keep the entire papers in each action together, in packages of proper and convenient size, and in the order in which the cases are numbered on his docket.

The Mayor and Mayor's Court Magistrate did not maintain a docket. This condition did not provide complete accountability over the activity of the Court and hampered the Village's ability to report the collections and disbursements in their annual financial report.

Furthermore, the Mayor and Mayor's Court Magistrate did not maintain a cash book or a listing of the open items maintained by the Court. A cashbook should be used to record all items received and disbursed by the court. Money received should be supported by pre-numbered receipts. A properly maintained cash book should provide a listing of all monies held by the Court that have not been disbursed. These open items should be reconciled to the bank activity of the Court.

We recommend the Mayor establish internal control procedures to ensure proper recording and accountability of the Court's activity. Maintaining a docket, cash book, and open items list will provide the supporting data necessary to achieve this objective.

**FINDING NUMBER 2003-003**  
**REPORTABLE CONDITION**

**Emergency Medical Services Billings and Collections**

The Village has delegated the processing of ambulance billings and collections, which is a significant accounting function, to a third party administrator, Emergency Medical Service of the Village of Columbiana (EMS). Billing information is provided to EMS through delivery of ambulance run sheets by a representative of the New Waterford Volunteer Fire Association (Association). The payment of ambulance run bills are remitted to a post office box registered in the name of the Association. An Association employee gathers the payments from the post office box and provides the account information to EMS for processing. The collections are eventually delivered by the Association employee to the Fiscal Officer of the Village. The Fiscal Officer credits the collections amount to the Village Emergency Medical Service Fund and deposits the money to the Village treasury. The following internal control weaknesses were noted with regard to the processing of ambulance billings and collections:

- A. EMS provides monthly billing and collection reports to the Association. Therefore, these reports are not reviewed or reconciled by any authorized Village official or employee to monitor whether ambulance runs are being properly billed and collected.
- B. The Village has not established procedures to determine whether the third party administrator has sufficient controls in place and operating effectively to reduce the risk that ambulance billings and collections have been completely and accurately processed.
- C. The Village has not adopted a written policy to govern procedures to follow in the case of those ambulance billing accounts whose collections are past due.

These conditions may not assure the completeness and accuracy of ambulance billings and collections processed by the third party administrator.

Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on service organizations. An unqualified Type Two *Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness* in accordance with SAS 70 should provide the Village with reasonable assurance that ambulance run billings and collections conform to the contract.

We recommend the Village amend their written contract with EMS to process ambulance run billings and collections. The contract should require EMS to obtain a Type Two SAS 70 report. The Village should review the SAS 70 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and considered in good standing with the Accountancy Board of the respective state. If EMS refuses to furnish the Village with a Type Two SAS 70 report, we recommend the Village contract with a third party administrator that will provide such a report.

In addition, we recommend the Village Council adopt a formal, written policy that mandates the procedures to follow for the collection of past due ambulance billing accounts. The policy should include but not be limited to specific guidelines on the write-off of past due accounts and the conditions that warrant the past due accounts to be turned over to a collection agency.

Monthly billing and collection reports generated by EMS should be remitted to the Fire Chief and Fiscal Officer of the Village respectively. The Fire Chief should reconcile the billing information with the ambulance run sheets for the same period. The Fiscal Officer should agree the collections to the Emergency Medical Services Fund's monthly receipts.





**Auditor of State  
Betty Montgomery**

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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  
MARCH 31, 2005**