



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

February 9, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**CITY OF NEWTON FALLS
TRUMBULL COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

City of Newton Falls
Trumbull County
19 North Canal Street
Newton Falls, Ohio 44444

To the City Council:

We have audited the accompanying financial statements of the City of Newton Falls, Trumbull County, (the City) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the City'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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

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 City of Newton Falls, Trumbull County, as of December 31, 2003, and its combined cash receipts and disbursements for the year 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 22, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in accessing the results of our audit.

This report is intended solely for the information and use of the audit committee, management, City 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

December 22, 2006

CITY OF NEWTON FALLS
TRUMBULL 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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$114,396	\$823,033		\$937,429
Intergovernmental Receipts	257,279	175,421		432,700
Charges for Services	4,161	20,958		25,119
Fines, Licenses, and Permits	592,937	134,871		727,808
Earnings on Investments	319,456	1,479		320,935
Miscellaneous	5,183	7,230		12,413
	<u>1,293,412</u>	<u>1,162,992</u>	<u>0</u>	<u>2,456,404</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	905,391	30,966		936,357
Leisure Time Activities		91,998		91,998
Community Environment	21,115			21,115
Transportation		413,343		413,343
General Government	1,170,445	171,255		1,341,700
Debt Service:				
Principal Payments		28,405		28,405
Interest Payments		31,661		31,661
Capital Outlay		20,943	183,864	204,807
	<u>2,096,951</u>	<u>788,571</u>	<u>183,864</u>	<u>3,069,386</u>
Total Receipts Over/(Under) Disbursements	<u>(803,539)</u>	<u>374,421</u>	<u>(183,864)</u>	<u>(612,982)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	347,490	226,360	224,897	798,747
Other Financing Receipts	486,219			486,219
Transfers-Out	(209,762)	(631,800)		(841,562)
Other Financing Disbursements	(1,809)			(1,809)
	<u>622,138</u>	<u>(405,440)</u>	<u>224,897</u>	<u>441,595</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(181,401)	(31,019)	41,033	(171,387)
Fund Cash Balances, January 1	<u>822,577</u>	<u>471,611</u>	<u>155,534</u>	<u>1,449,722</u>
Fund Cash Balances, December 31	<u>\$641,176</u>	<u>\$440,592</u>	<u>\$196,567</u>	<u>\$1,278,335</u>
Reserves for Encumbrances, December 31	<u>\$30,118</u>	<u>\$74,685</u>	<u>\$38,101</u>	<u>\$142,904</u>

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

**CITY OF NEWTON FALLS
TRUMBULL 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**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
Operating Cash Receipts:				
Charges for Services	\$5,480,802	\$588,422		\$6,069,224
Miscellaneous	14,198			14,198
Total Operating Cash Receipts	<u>5,495,000</u>	<u>588,422</u>		<u>6,083,422</u>
Operating Cash Disbursements:				
Personal Services	1,202,200	492,913		1,695,113
Travel and Transportation	10,986			10,986
Contractual Services	2,565,564			2,565,564
Supplies and Materials	206,647			206,647
Capital Outlay	1,697,554			1,697,554
Total Operating Cash Disbursements	<u>5,682,951</u>	<u>492,913</u>		<u>6,175,864</u>
Operating Income/(Loss)	<u>(187,951)</u>	<u>95,509</u>		<u>(92,442)</u>
Non-Operating Cash Receipts:				
Proceeds from Notes and Bonds	1,531,899			1,531,899
Other Non-Operating Receipts	184,240		\$1,412,884	1,597,124
Total Non-Operating Cash Receipts	<u>1,716,139</u>		<u>1,412,884</u>	<u>3,129,023</u>
Non-Operating Cash Disbursements:				
Debt Service	566,877			566,877
Other Non-Operating Cash Disbursements	672,712		1,411,149	2,083,861
Total Non-Operating Cash Disbursements	<u>1,239,589</u>		<u>1,411,149</u>	<u>2,650,738</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	288,599	95,509	1,735	385,843
Transfers-In	463,815			463,815
Transfers-Out	(421,000)			(421,000)
Net Receipts Over/(Under) Disbursements	331,414	95,509	1,735	428,658
Fund Cash Balances, January 1	5,299,790	383,776	39,599	5,723,165
Fund Cash Balances, December 31	<u>\$5,631,204</u>	<u>\$479,285</u>	<u>\$41,334</u>	<u>\$6,151,823</u>
Reserve for Encumbrances, December 31	<u>\$189,156</u>			<u>\$189,156</u>

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

**CITY OF NEWTON FALLS
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The City of Newton Falls, Trumbull County, (the City) 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 City is directed by a publicly-elected five-member Council. The City provides general governmental services, street maintenance services, park and recreation services, water, sewer and electric utilities, and police protection services. The City contracts with Newton Falls Fire District to provide fire protection services.

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

B. Basis of Accounting

Although required by the Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the City chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with accounting principles generally accepted in the United States of America. This basis of accounting 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, in accordance with the basis of accounting described in the preceding paragraph.

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.

Certificates of deposit, repurchase agreements, and U.S. Treasury Notes are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. Mutual funds are recorded at share values reported by the mutual fund.

D. Fund Accounting

The City uses fund accounting to segregate cash and investments that are restricted as to use. The City 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.

**CITY OF NEWTON FALLS
TRUMBULL COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 City had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund's receipts are received from the State of Ohio and are generated primarily from the collection of license plate fees and gasoline taxes imposed by the State. Also, the fund receives an allocation of the City's Municipal Income Tax. These proceeds are only to be utilized for the maintenance of streets within the City.

Municipal Income Tax Fund - This fund's receipts are generated from a one percent municipal income tax the City levies on all salaries, wages, commissions and other compensation, and net profits earned within the City. Per City Ordinance No. 3512, the City transfers the proceeds each month to the General Fund, the Street Construction, Maintenance, and Repair Fund, the Parks and Recreation Fund, and the Capital Improvement Fund to provide funds for the purpose of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities, capital improvements, and the maintenance of parks, playgrounds, and recreational facilities.

3. 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 City had the following significant capital project funds:

Capital Improvement Fund - This fund receives an allocation of the City's Municipal Income Tax. These proceeds are only to be utilized to provide funds for the purpose of purchasing new equipment, providing the extension and enlargement of municipal facilities, and other capital improvements.

Road, Building, and Equipment Fund - The City transfers moneys from the General Fund into this fund. These proceeds are only to be utilized to provide funds for the purpose of purchasing new equipment and other capital improvements necessary for the maintenance of streets within the City.

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 City had the following significant Enterprise Funds:

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

Water Replacement and Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance water treatment plant improvements. Charges for services from residents will repay these loans.

**CITY OF NEWTON FALLS
TRUMBULL COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

5. Internal Service Fund

This fund accounts for the operation of the City's self-funded health and welfare plan that provides health insurance, dental and vision coverage to its full-time employees.

6. Fiduciary Funds (Agency Funds)

These funds account for those activities for which the City is acting in an agency capacity. The City maintains the following significant Agency Fund:

Municipal Court Fund - This fund accounts for the operation of the Newton Falls Municipal Court solely in an agency capacity.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds including the City's Municipal Court Agency Fund for which the City does not budget) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

3. Encumbrances

The Ohio Revised Code requires the City 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 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 and sick leave. Unpaid leave is not reflected as a liability under the City's basis of accounting.

**CITY OF NEWTON FALLS
TRUMBULL COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The City 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
Demand deposit	\$542,734
Total deposits	542,734
Second National Bank	148,578
McDonald & Company	6,454,051
STAR Ohio	284,795
Total investments	6,887,424
Total deposits and investments	\$7,430,158

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

Investments: The City's investment portfolio includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the City's name. The financial institutions maintain records identifying the City as owner of these securities. Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,062,323	\$2,127,121	\$64,798
Special Revenue	1,459,298	1,389,352	(69,946)
Capital Projects	223,645	224,897	1,252
Enterprise	7,753,502	7,674,954	(78,548)
Internal Service	588,422	588,422	0
Agency	14,610	14,610	0
Total	\$12,101,800	\$12,019,356	(\$82,444)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,383,729	\$2,338,640	\$45,089
Special Revenue	1,633,191	1,495,056	138,135
Capital Projects	257,890	221,965	35,925
Enterprise	7,855,483	7,532,696	322,787
Internal Service	600,544	492,913	107,631
Agency	24,000	8,760	15,240
Total	\$12,754,837	\$12,090,030	\$664,807

**CITY OF NEWTON FALLS
TRUMBULL COUNTY**

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

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by City 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 City.

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 City.

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$2,188,869	2% to 10.84%
Electric Metering Promissory Note	290,043	5.64%
Municipal Court Renovation Promissory Note	494,353	6.03%
Ohio Police & Fire Pension Fund	17,952	4.25%
Total	<u>\$2,991,217</u>	

Outstanding Ohio Water Development Authority (OWDA) Loans consist of five cooperative agreements between the City of Newton Falls and the OWDA for improvements to the City's secondary treatment plant and water treatment plant. The OWDA has approved up to \$5,439,388 in loans to the City for these projects. The scheduled payment amount below assumes that \$5,439,388 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The City has pledged revenues from the Sewer and Water Funds to repay these debts.

The City borrowed money in the form of a promissory note to purchase property and equipment for construction of a metering station and 64kva transmission line. The City has pledged revenues from the Electric fund to repay this debt.

The City borrowed money in the form of a promissory note for renovation of the Municipal Court. The City has pledged certain investment securities as collateral.

**CITY OF NEWTON FALLS
TRUMBULL COUNTY**

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

6. DEBT – (Continued)

The City incurred the Ohio Police and Fire Pension (OP&F) Fund obligation in 1968 to pay the State of Ohio's Police and Fire Pension Fund System the difference between the accumulated assets maintained in the City's pension fund for its Policemen and Firemen and the under provided actuarial pension liability at the time the City joined the System. This liability is a general obligation of the City.

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

Year ending December 31:	OWDA Loan	Electric Metering Promissory Note	Municipal Court Renovation Promissory Note	OP&F Pension Fund Obligation
2004	\$459,631	\$87,600	\$59,026	\$1,040
2005	461,427	87,600	59,026	1,040
2006	398,105	87,600	59,026	1,040
2007	398,105	59,555	59,026	1,040
2008	396,907		59,026	1,040
Subsequent	3,019,005		398,428	27,511
Total	<u>\$5,133,180</u>	<u>\$322,355</u>	<u>\$693,558</u>	<u>\$32,711</u>

7. RETIREMENT SYSTEMS

The City'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, OP&F participants contributed 10% of their wages. The City contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their wages. The City contributed an amount equal to 13.55% of participants' gross salaries. The City has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

The City maintains comprehensive insurance coverage with private carriers for real property and building contents. Real property and contents are insured at replacement cost. The City has also obtained commercial insurance for its general liability risks and its public officials' liability risks.

The City operates a self-funded health and welfare plan that provides health insurance, dental and vision coverage, and life insurance to full-time employees. The City has entered into an agreement with a third party administrator that provides the City with a comprehensive range of administrative services regarding their medical claims submitted by persons covered under the health and welfare plan. The City had accumulated \$479,285 toward future medical insurance claims as of December 31, 2003. Also, the City maintains stop-loss coverage with an insurance company of \$40,000 per claim for medical coverage.



**Auditor of State
Betty Montgomery**

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

City of Newton Falls
Trumbull County
19 North Canal Street
Newton Falls, Ohio 44444

To the City Council:

We have audited the financial statements of the City of Newton Falls, Trumbull County, (the City) as of and for the year ended December 31, 2003, and have issued our report thereon dated December 22, 2006, which noted the City prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weakness. In a separate letter to the City's management dated December 22, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. In a separate letter to the City's management dated December 22, 2006, we reported other matters related to noncompliance we deemed immaterial.

City of Newton Falls
Trumbull County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management and City Council. It is not intended for 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

December 22, 2006

**CITY OF NEWTON FALLS
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Administrative Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the City prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The City was fined for noncompliance with this Ohio Administrative Code section for the year ended December 31, 2003.

We recommend that the City prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America.

Officials' Response

We will evaluate the cost effectiveness of preparing our annual financial report in accordance with accounting principles generally accepted in the United States of America in the future.

**CITY OF NEWTON FALLS
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Failure to prepare annual financial report in accordance with generally accepted accounting principles.	No	Not Corrected. Reissued as Finding Number 2003-001.
2002-002	Discrepancies identified with the City's financial reporting system.	No	Partially Corrected. The City has taken corrective action to ensure that their Receipts and Appropriations Ledgers agree to their annual financial reports. In addition, their annual financial reports were properly formatted and reflected all financial data. However, various discrepancies remain with their cash reconciliations, which we reported in the Management Letter.



Mary Taylor, CPA
Auditor of State

CITY OF NEWTON FALLS

TRUMBULL 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
FEBRUARY 22, 2007**