



Dave Yost • Auditor of State

OHIO AUDITOR OF STATE **KEITH FABER**



January 24, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

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VILLAGE OF NEW WATERFORD
COLUMBIANA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of New Waterford, Columbiana County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of New Waterford, Columbiana County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 13, 2018

**VILLAGE OF NEW WATERFORD
COLUMBIANA COUNTY**

Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Taxes	\$73,186	\$61,622			\$136,225
Municipal Income Tax	160,105				160,105
Intergovernmental	37,235	71,720			107,538
Charges for Services		75,000			75,000
Fines, Licenses and Permits	72,805	1,995			74,800
Earnings on Investments	257	25		\$ 1,510	1,792
Miscellaneous		177			177
<i>Total Cash Receipts</i>	<u>343,588</u>	<u>210,539</u>	<u>0</u>	<u>1,510</u>	<u>555,637</u>
Cash Disbursements					
Current:					
Security of Persons & Property	230,966	93,735			324,701
Leisure Time Activities				1,943	1,943
Transportation		85,809			85,809
General Government	79,899	5,199			85,098
Capital Outlay			\$ 4,854		4,854
Debt Service:					
Principal Retirement		34,437	20,100		54,537
Interest and Fiscal Charges		3,422	2,662		6,084
<i>Total Cash Disbursements</i>	<u>310,865</u>	<u>222,602</u>	<u>27,616</u>	<u>1,943</u>	<u>563,026</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>32,723</u>	<u>(12,063)</u>	<u>(27,616)</u>	<u>(433)</u>	<u>(7,389)</u>
Other Financing Receipts (Disbursements)					
Transfers In			24,183		24,183
Transfers Out	(24,183)				(24,183)
Advances In	19,100				19,100
Advances Out	(12,000)				(12,000)
Other Financing Sources	9,067	17,616		260	26,943
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(8,016)</u>	<u>17,616</u>	<u>24,183</u>	<u>260</u>	<u>34,043</u>
<i>Net Change in Fund Cash Balances</i>	<u>24,707</u>	<u>5,553</u>	<u>(3,433)</u>	<u>(173)</u>	<u>26,654</u>
<i>Fund Cash Balances, January 1</i>	<u>\$6,646</u>	<u>\$57,099</u>	<u>\$3,475</u>	<u>\$123,244</u>	<u>\$190,464</u>
Fund Cash Balances, December 31					
Nonspendable				100,000	100,000
Restricted		62,652	42	23,071	85,765
Unassigned (Deficit)	31,353				31,353
<i>Fund Cash Balances, December 31</i>	<u>\$31,353</u>	<u>\$62,652</u>	<u>\$42</u>	<u>\$123,071</u>	<u>\$217,118</u>

See accompanying notes to the financial statements

**VILLAGE OF NEW WATERFORD
COLUMBIANA COUNTY**

Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$712,676		\$712,676
<i>Total Operating Cash Receipts</i>	<u>712,676</u>	<u>0</u>	<u>712,676</u>
Operating Cash Disbursements			
Personal Services	277,411		277,411
Fringe Benefits	46,449		46,449
Contractual Services	172,512		172,512
Supplies and Materials	98,407		98,407
Other	34,368		34,368
<i>Total Operating Cash Disbursements</i>	<u>629,147</u>	<u>0</u>	<u>629,147</u>
<i>Operating Income (Loss)</i>	<u>83,529</u>	<u>0</u>	<u>83,529</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	448,405		448,405
Capital Outlay	(450,997)		(450,997)
Principal Retirement	(18,761)		(18,761)
Interest and Other Fiscal Charges	(505)		(505)
Other Financing Sources		\$ 61,148	61,148
Other Financing Uses		(61,550)	(61,550)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(21,858)</u>	<u>(402)</u>	<u>(\$22,260)</u>
<i>Income (Loss) before Transfers and Advances</i>	61,671	(402)	61,269
Transfers In	51,330		51,330
Transfers Out	(51,330)		(51,330)
Advances In	12,000		12,000
Advances Out	(19,100)		(19,100)
<i>Net Change in Fund Cash Balance</i>	<u>54,571</u>	<u>(402)</u>	<u>54,169</u>
<i>Fund Cash Balances, January 1</i>	<u>140,585</u>	<u>5,337</u>	<u>145,922</u>
<i>Fund Cash Balances, December 31</i>	<u>\$195,156</u>	<u>\$4,935</u>	<u>\$200,091</u>

See accompanying notes to the financial statements

Village of New Waterford, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of New Waterford (the Village), Columbiana County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, road maintenance, police services, fire protection services and emergency medical services. The Village also provides fire protection services to Townships of Unity and Fairfield.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a public entity risk pool. Note 7 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire Levy Fund The fire levy fund receives voted real estate tax millage to purchase fire apparatus, equipment and cover operating expenses of the Fire Department.

Fire Protection Operating The fire protection operating fund accounts for and reports charges for service revenue in order to provide fire protection services.

Village of New Waterford, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (Continued)

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

Construction Fund This fund receives local income tax monies to finance capital projects within the Village.

Permanent Funds This fund accounts for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Village Park Fund The village park fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Village's park.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Ambulance Fund The fund receives charges for services from residents and non-residents to cover ambulance service costs.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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 Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Village of New Waterford, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (Continued)

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

Encumbrances Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

Village of New Waterford, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (Continued)

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$363,933	\$371,755	\$7,822
Special Revenue	267,808	228,155	(39,653)
Capital Projects	25,700	24,183	(1,517)
Permanent	1,500	1,770	270
Enterprise Funds	1,003,998	1,224,411	220,413
Total	\$1,662,939	\$1,850,274	\$187,335

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$370,579	\$347,148	\$23,431
Special Revenue	267,744	222,602	45,142
Capital Projects	27,657	27,616	41
Permanent	24,620	1,943	22,677
Enterprise	919,016	1,169,840	(250,824)
Total	\$1,609,616	\$1,769,149	(\$159,533)

Note 4 – Deposits and Investments

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

Demand deposits	2017 \$317,209
Certificates of deposit	100,000
Total deposits	417,209

Village of New Waterford, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Deposits

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

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal 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.

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Risk Pool Membership

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2018, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2018.

Village of New Waterford, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Risk Management – (Continued)

	<u>2017</u>
Cash and investments	\$1,341,128
Actuarial liabilities	<u>(884,941)</u>
Accumulated Surplus	<u>\$456,187</u>

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

Other Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.5% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Village of New Waterford, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Property Loan	\$23,030	4.75%
Stutphen Custom Pumper	72,225	3.2
Sewer Plant	30,418	0.0056
Dump Truck	4,082	3.45
Cruiser Camera	4,667	3.15
Total	\$134,422	

During 2012, the Village entered into a commercial loan agreement in the amount of \$65,000 with PNC Bank to finance the purchase of a property within the Village. The loan has a term of 120 months with the final payment due in December 2022. Interest and principal is due monthly, with all principal and accrued interest due at maturity.

During 2015, the Village entered into a lease-purchase agreement in the amount of \$70,000 with PNC Equipment Finance, LLC for the purchase of a 2015 Ford Dump Truck. The lease-purchase has a term of three years with the final payment due in February 2018. Interest and principal are due monthly. Payment will be made from the Capital Projects Fund and the Water and Sewer Enterprise Funds.

During 2015, the Village entered into a lease-purchase agreement in the amount of \$173,000 with Wells Fargo Equipment Finance, LLC for the purchase of Sutphen Custom Pumper. The lease-purchase has a term of five years with the final payment due in December 2019. Interest and principal are due annually. Payment will be made from the Fire Levy Special Revenue Fund.

During 2016, the Village was approved for a \$166,124 loan with Ohio Water Development Authority for the design of a water system upgrade. As of December 31, 2017, the Village has total drawn downs of \$160,200. Current year drawn down proceeds were \$8,750 and capitalized interest of \$2,173. This loan was partially rolled into the Waterlines Replacement project where \$135,686 was paid off. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments. The balance remaining is \$30,769.

During 2016, the Village entered into a lease-purchase agreement in the amount of \$12,000 with Government Lease Company for the installation of three cruiser video cameras. The lease-purchase has a term of three years. Interest and principal are due monthly. Payment will be made from the Capital Projects Fund. Final payment is due February, 1, 2019.

During 2017, the Village was approved for an \$899,984 loan with Ohio Water Development Authority for a Water System Phase 1 project. As of December 31, 2017, the Village has total drawn downs of \$274,246 for the current year. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments. The balance remaining is \$150,125.

During 2017, the Village was approved for a \$30,418 loan with Ohio Water Development Authority for a Sewer Plant Screen Loan. The loan has a term of five years with the first payment due July 1, 2018 and the final payment on January 1, 2023. Interest and principal are due every 6 months. Payment will be made from the Sewer System Upgrade Enterprise Fund.

Village of New Waterford, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt – (Continued)

During 2017, the Village was approved for a \$232,466 loan with Ohio Water Development Authority for a Waterlines System Phase 2 project. As of December 31, 2017, the Village has total drawn downs of \$69,565 for the current year. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments.

Amortization

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

Year Ending December 31:	Property Loan	Stutphen Custom Pumper	Sewer Plant	Dump Truck	Cruiser Camera
2018	\$6,115	37,859	\$3,089	\$4,099	\$4,504
2019	5,928	37,859	6,178		751
2020	5,746		6,178		
2021	5,555		6,178		
2022	27,035		6,178		
2023			3,089		
Total	<u>\$50,379</u>	<u>\$75,718</u>	<u>\$30,890</u>	<u>\$4,099</u>	<u>\$5,255</u>

**VILLAGE OF NEW WATERFORD
COLUMBIANA COUNTY**

Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Taxes	\$84,565	\$64,427			\$148,992
Municipal Income Tax	184,416				184,416
Intergovernmental	22,853	63,511			86,364
Charges for Services		84,999			84,999
Fines, Licenses and Permits	65,667	1,890			67,557
Earnings on Investments	152	22		\$ 1,505	1,679
Miscellaneous		24,065			24,065
<i>Total Cash Receipts</i>	<u>357,653</u>	<u>238,914</u>	<u>0</u>	<u>1,505</u>	<u>598,072</u>
Cash Disbursements					
Current:					
Security of Persons & Property	237,817	98,276			336,093
Leisure Time Activities				1,688	1,688
Transportation		108,019			108,019
General Government	91,675	1,651			93,326
Capital Outlay			\$15,233		15,233
Debt Service:					
Principal Retirement		33,366	23,330		56,696
Interest and Fiscal Charges		4,493	3,396		7,889
<i>Total Cash Disbursements</i>	<u>329,492</u>	<u>245,805</u>	<u>41,959</u>	<u>1,688</u>	<u>618,944</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>28,161</u>	<u>(6,891)</u>	<u>(41,959)</u>	<u>(183)</u>	<u>(20,872)</u>
Other Financing Receipts (Disbursements)					
Transfers In			29,723		29,723
Transfers Out	(29,723)				(29,723)
Advances Out	(19,100)				(19,100)
Other Financing Sources	14,844	38	12,000	339	27,221
Other Financing Uses					-
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(33,979)</u>	<u>38</u>	<u>41,723</u>	<u>339</u>	<u>8,121</u>
<i>Net Change in Fund Cash Balances</i>	<u>(5,818)</u>	<u>(6,853)</u>	<u>(236)</u>	<u>156</u>	<u>(12,751)</u>
<i>Fund Cash Balances, January 1</i>	<u>\$12,464</u>	<u>\$63,952</u>	<u>\$3,711</u>	<u>\$123,088</u>	<u>203,215</u>
Fund Cash Balances, December 31					
Nonspendable				100,000	100,000
Restricted		57,099	3,475	23,244	83,818
Unassigned (Deficit)	6,646				6,646
<i>Fund Cash Balances, December 31</i>	<u>\$6,646</u>	<u>\$57,099</u>	<u>\$3,475</u>	<u>\$123,244</u>	<u>\$190,464</u>

See accompanying notes to the financial statements

**VILLAGE OF NEW WATERFORD
COLUMBIANA COUNTY**

Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$696,409		\$696,409
<i>Total Operating Cash Receipts</i>	<u>696,409</u>	<u>0</u>	<u>696,409</u>
Operating Cash Disbursements			
Personal Services	254,642		254,642
Fringe Benefits	45,793		45,793
Contractual Services	271,075		271,075
Supplies and Materials	108,408		108,408
Other	26,840		26,840
<i>Total Operating Cash Disbursements</i>	<u>706,758</u>	<u>0</u>	<u>706,758</u>
<i>Operating Income (Loss)</i>	<u>(10,349)</u>	<u>0</u>	<u>(10,349)</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	156,958		156,958
Capital Outlay	(52,380)		(52,380)
Principal Retirement	(32,749)		(32,749)
Interest and Other Fiscal Charges	(2,533)		(2,533)
Other Financing Sources		\$ 65,522	65,522
Other Financing Uses		(64,275)	(64,275)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>69,296</u>	<u>1,247</u>	<u>70,543</u>
<i>Income (Loss) before Transfers and Advances</i>	58,947	1,247	60,194
Transfers In	41,170		41,170
Transfers Out	(41,170)		(41,170)
Advances In	19,100		19,100
<i>Net Change in Fund Cash Balance</i>	<u>78,047</u>	<u>1,247</u>	<u>79,294</u>
<i>Fund Cash Balances, January 1</i>	<u>62,538</u>	<u>4,090</u>	<u>66,628</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$140,585</u></u>	<u><u>\$5,337</u></u>	<u><u>\$145,922</u></u>

See accompanying notes to the financial statements

Village of New Waterford, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of New Waterford (the Village), Columbiana County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, road maintenance, police services, fire protection services and emergency medical services. The Village also provides fire protection services to Townships of Unity and Fairfield.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a public entity risk pool. Note 7 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire Protection Operating This fire protection operating fund accounts for and reports charges for service revenue in order to provide fire protection services.

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

Village of New Waterford, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies – (Continued)

Construction Fund This fund receives local income tax monies to finance capital projects within the Village.

Permanent Funds This fund accounts for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Village Park Fund The village park fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Village's park.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Ambulance Fund The Ambulance fund accounts for and reports charges for services from residents to cover ambulance service costs.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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 Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Village of New Waterford, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies – (Continued)

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

Encumbrances Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

Village of New Waterford, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies – (Continued)

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

Note 3 - Compliance

Contrary to Ohio law, appropriation authority exceeded total estimated resources in the Fire Operating fund, Other Capital Project fund, and Ambulance fund by \$30,175, \$3,031, and \$11,023, respectively.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$360,033	\$372,497	\$12,464
Special Revenue	178,568	238,952	60,384
Capital Projects	27,511	41,723	14,212
Permanent	0	1,844	1,844
Enterprise Funds	874,688	913,637	38,949
Total	\$1,440,800	\$1,568,653	\$127,853

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$369,244	\$378,315	(\$9,071)
Special Revenue	279,208	245,805	33,403
Capital Projects	32,753	41,959	(9,206)
Permanent	24,588	1,688	22,900
Enterprise	921,288	835,590	85,698
Total	\$1,627,081	\$1,503,357	\$123,724

Village of New Waterford, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Deposits and Investments

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

	<u>2016</u>
Demand deposits	\$236,386
Certificates of deposit	<u>100,000</u>
Total deposits	<u>336,386</u>

Deposits

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

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal 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.

Note 7 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Village of New Waterford, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Risk Management – (Continued)

Risk Pool Membership

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2016, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2016.

	<u>2016</u>
Cash and investments	\$1,272,799
Actuarial liabilities	<u>(821,016)</u>
Accumulated Surplus	<u>\$451,783</u>

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

Other Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.5% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Village of New Waterford, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Property Loan	\$47,539	4.75%
Stutphen Custom Pumper	\$106,662	3.21
Cruiser Cameras	\$8,667	3.15
Dump Truck	\$28,085	3.45
Police Cruiser	9,192	3.40
Total	\$200,145	

During 2012, the Village entered into a commercial loan agreement in the amount of \$65,000 with PNC Bank to finance the purchase of a property within the Village. The loan has a term of 120 months with the final payment due in December 2022. Interest and principal is due monthly, with all principal and accrued interest due at maturity.

During 2015, the Village entered into a lease-purchase agreement in the amount of \$70,000 with PNC Equipment Finance, LLC for the purchase of a 2015 Ford Dump Truck. The lease-purchase has a term of three years with the final payment due in February 2018. Interest and principal are due monthly. Payment will be made from the Capital Projects Fund and the Water and Sewer Enterprise Funds.

During 2015, the Village entered into a lease-purchase agreement in the amount of \$24,000 with PNC Equipment Finance, LLC for the purchase of a police cruiser. The lease-agreement has a term of two years with the final payment due in September 2017. Interest and principal are due monthly. Payment will be made from the Capital Projects Capital Project Fund.

During 2015, the Village entered into a lease-purchase agreement in the amount of \$173,000 with Wells Fargo Equipment Finance, LLC for the purchase of Sutphen Custom Pumper. The lease-purchase has a term of five years with the final payment due in December 2019. Interest and principal are due annually. Payment will be made from the Fire Levy Special Revenue Fund.

During 2016, the Village was approved for a \$166,124 with Ohio Water Development Authority loan for the design of a water system upgrade. As of December 31, 2016 the Village has drawn down proceeds of \$151,450 and capitalized interest of \$1,455. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments.

During 2016, the Village entered into a lease-purchase agreement in the amount of \$12,000 with Government Lease Company for the installation of three cruiser video cameras. The lease-purchase has a term of three years. Interest and principal are due monthly. Payment will be made from the Capital Projects Fund. Final payment is due February, 1, 2019.

Village of New Waterford, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – Debt – (Continued)

Amortization

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

Year Ending December 31:	Property Loan	Stutphen Custom Pumper	Cruiser Cameras	Dump Truck	Police Cruiser
2017	\$6,302	37,859	\$4,504	\$24,595	\$9,322
2018	6,115	37,859	4,504	4,099	
2019	5,928	\$37,859	751		
2020	5,746				
2021	5,555				
2022-2023	27,035				
Total	<u>\$56,681</u>	<u>\$113,577</u>	<u>\$9,759</u>	<u>\$28,694</u>	<u>\$9,322</u>



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of New Waterford, Columbiana County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 13, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-002 and 2017-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

December 13, 2018

VILLAGE OF NEW WATERFORD
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Noncompliance – Appropriations Exceeding Estimated Resources

Ohio Rev. Code § 5705.39 provides in part that the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

As of December 31, 2016, the following funds had appropriations exceeding total estimated resources:

Fund	Total Estimated Resources	Final Appropriations	Variances	Percentage Variance
Street Construction Maintenance	\$77,214	\$79,045	(\$1,831)	2%
Fire Fund	42,422	44,576	(2,154)	5%
Fire Operating	85,037	115,212	(30,175)	35%
Other Capital Projects	29,722	32,753	(3,031)	10%
Water Operating	511,570	520,727	(9,157)	2%
Ambulance	88,969	99,992	(11,023)	12%

This situation may lead to disbursements within said funds exceeding the actual revenue available and negative cash fund balances.

Management should monitor the budgetary cycle throughout the year to ensure appropriations do not exceed the amounts on the certificate of estimated resources and any amendments thereto and actual revenue received.

FINDING NUMBER 2017-002

Material Weakness – Accurate Posting of Transactions

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C section 210 paragraphs .A14 & .A16.

The Fiscal Officer did not abide by the adopted chart of account in coding and classifying various transactions in 2017 and 2016. This resulted in adjustments and reclassifications to the financial statements. The Village Fiscal Officer and management have agreed to and posted the adjustments to the Village's accounting records. The corrected amounts are reflected in the accompanying financial statements.

**FINDING NUMBER 2017-002
 (Continued)**

2017 Adjustments:

Fund Adjusted	Account Type	Amount	Description
General Fund	Taxes	(1,417)	To adjust fund balance in the General fund posted to taxes for a MVL tax receipt that should have been posted to other funds as intergovernmental receipts.
Street	Intergovernmental Receipts	1,311	
Construction State Highway	Intergovernmental Receipts	106	
Enterprise (Water and Sewer)	Intergovernmental Receipts Capital Outlay	\$292,520	To adjust the financial statements to record on behalf payments made by OWDA to contractors.
Enterprise (Water Fund)	Intergovernmental Receipts Capital Outlay	32,502	To adjust the financial statements to record on behalf payments made by OPWC to contractors.
Agency	Other Non-operating Receipts and Other Non-operating Disbursements	61,148 and 61,550	To account for Mayor's Court activity on the financial statements.

2017 Reclassifications:

Fund	Account Type	Amount	Description
Enterprise (Sewer)	Charges for Services Intergovernmental receipts	\$30,000	To reclassify OWDA on-behalf payments booked as charges for services that should have been booked as intergovernmental receipts
Capital Projects	Principal Retirement, Interest and Fiscal Charges, and Capital Outlay	9,322	To reclassify principal and interest payments posted to capital outlay. \$9,191 should have been posted to principal retirement and \$131 should have been posted to interest and fiscal charges.
Capital Projects	Principal Retirement, Interest and Fiscal Charges, and Capital Outlay	2,459	To reclassify principal and interest payments posted to capital outlay. \$2,400 should have been posted to principal retirement and \$59 should have been posted to interest and fiscal charges.
Enterprise (Water and Sewer)	Principal Retirement, Interest and Fiscal Charges, and Capital Outlay	19,266	To reclassify principal and interest payments posted to capital outlay. \$18,761 should have been posted to principal retirement and \$505 should have been posted to interest and fiscal charges.

**FINDING NUMBER 2017-002
 (Continued)**

2017 Reclassifications (continued):

Fund	Account Type	Amount	Description
Special Revenue (Fire Levy Fund)	Principal Retirement, Interest and Fiscal Charges, and Capital Outlay	37,859	To reclassify principal and interest payments posted to Security of Persons & Property. \$34,437 should have been posted to principal retirement and \$3,422 should have been posted to interest and fiscal charges.
Capital Projects	Principal Retirement, Interest and Fiscal Charges, and Capital Outlay	6,477	To reclassify principal and interest payments posted to capital outlay. \$4,509 should have been posted to principal retirement and \$1,968 should have been posted to interest and fiscal charges.
Permanent Fund	Nonspendable and Restricted Fund Balance	23,071	To reclassify the portion of fund balance that can be spent but is restricted.
Capital Projects	Principal Retirement, Interest and Fiscal Charges, and Capital Outlay	4,504	To reclassify principal and interest payments posted to capital outlay. \$4,000 should have been posted to principal retirement and \$504 should have been posted to interest and fiscal charges.

2016 Adjustments:

Fund Adjusted	Account Type	Amount	Description
Agency	Other Non-operating Receipts and Other Non-operating Disbursements	\$65,522 and \$64,275	To account for Mayor's Court activity on the financial statements.
Capital Projects	Capital Outlay Disbursement and Other Financing Sources Revenue	12,000	To adjust the financial statements to include proceeds from a capital lease.

**FINDING NUMBER 2017-002
 (Continued)**

2016 Reclassifications:

Fund	Account Type	Amount	Description
Capital Projects	Principal Retirement, Interest and Fiscal Charges, and Capital Outlay	\$12,430	To reclassify principal and interest payments posted to capital outlay. \$11,897 should have been posted to principal retirement and \$533 should have been posted to interest and fiscal charges.
Capital Projects	Principal Retirement, Interest and Fiscal Charges, and Capital Outlay	2,460	To reclassify principal and interest payments posted to capital outlay. \$2,319 should have been posted to principal retirement and \$141 should have been posted to interest and fiscal charges.
Enterprise (Water and Sewer)	Principal Retirement, Interest and Fiscal Charges, and Capital Outlay	22,136	To reclassify principal and interest payments posted to capital outlay. \$20,872 should have been posted to principal retirement and \$1,264 should have been posted to interest and fiscal charges.
Special Revenue (Fire Levy Fund)	Principal Retirement, Interest and Fiscal Charges, and Capital Outlay	37,859	To reclassify principal and interest payments posted to Security of Persons & Property. \$33,366 should have been posted to principal retirement and \$4,493 should have been posted to interest and fiscal charges.
Capital Projects	Principal Retirement, Interest and Fiscal Charges, and Capital Outlay	1,461	To reclassify principal and interest payments posted to capital outlay. \$1,320 should have been posted to principal retirement and \$141 should have been posted to interest and fiscal charges.
Enterprise (Water and Sewer)	Principal Retirement, Interest and Fiscal Charges, and Capital Outlay	13,146	To reclassify principal and interest payments posted to capital outlay. \$11,877 should have been posted to principal retirement and \$1,269 should have been posted to interest and fiscal charges.
Capital Projects	Principal Retirement, Interest and Fiscal Charges, and Capital Outlay	6,622	To reclassify principal and interest payments posted to capital outlay. \$4,461 should have been posted to principal retirement and \$2,161 should have been posted to interest and fiscal charges.

**FINDING NUMBER 2017-002
 (Continued)**

2016 Reclassifications (Continued):

Fund	Account Type	Amount	Description
Permanent Fund	Nonspendable and Restricted Fund Balance	23,044	To reclassify the portion of fund balance that can be spent but is restricted.
Capital Projects	Principal Retirement, Interest and Fiscal Charges, and Capital Outlay	3,753	To reclassify principal and interest payments posted to capital outlay. \$3,333 should have been posted to principal retirement and \$420 should have been posted to interest and fiscal charges.

Other mispostings were identified, however, were not material and the Village decided not to make the adjustments.

The 2017 Notes had the following errors:

- The total demand deposits within the Equity in Pooled Deposits and Investments Note did not agree to the ending fund balance within the financial statements;
- The Budgetary Activity Note did not include the proper comparison tables and figures;
- The Debt Note did not report an accurate ending balance and the amortization table was not updated to reflect the remaining payments.
- The Risk Management Note did not reflect the most current information; and
- The Post-Employment Benefits Note was omitted.

The 2016 Notes had the following errors:

- The total demand deposits within the Equity in Pooled Deposits and Investments Note did not agree to the ending fund balance within the financial statements and figures;
- The Budgetary Activity Note did not include the proper comparison tables;
- The Debt Note did not report an accurate ending balance and the amortization table was not updated to reflect the remaining payments. In addition, descriptions of all new debt was not included;
- The Risk Management Note did not reflect the most current information; and
- The Post-Employment Benefits Note was omitted.

The Village did not have procedures in place to record transactions properly. Failure to consistently follow a uniform chart of accounts increases the possibility the Village will not be able to identify, assemble, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The Fiscal Officer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure that financial activity of the Village is accurately recorded and reported. In addition, the Village should review the financial statements and notes prior to report submission.

FINDING NUMBER 2017-003

Material Weakness – Budgetary Measures

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The following variances were noted in 2017:

Fund	Amount Per Certificate of Estimated Resources	Final Budget Posted to System	Variance
General Fund	\$363,933	\$344,834	\$19,099
Fire Fund	39,500	39,300	200
Water Operating	562,027	561,000	1,027
Sewer Operating	311,870	331,000	(19,130)

The following variances were noted in 2016:

Fund	Amount Per Certificate of Estimated Resources	Final Budget Posted to System	Variance
General Fund	\$360,033	\$372,053	(\$12,020)
Street Construction Maintenance	56,644	77,213	(20,569)
Fire Fund	36,546	42,422	(5,876)
Fire Operating	54,825	85,038	(30,213)
Other Capital Projects	26,011	29,723	(3,712)
Water Operating	497,593	549,611	(52,018)
Ambulance	70,977	88,145	(17,168)

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

Failure to accurately post the estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission approved by Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources have been properly posted to the ledgers.

Official's Response: We did not receive a response from Officials to the findings reported above.

VILLAGE OF NEW WATERFORD

3760 Village Park Drive, P.O. Box 287

New Waterford, Ohio 44445

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS December 31, 2017 and 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness- Posting of Receipts and Disbursements	Repeated	The Fiscal Officer is improving in this area.
2015-002	Material Weakness- Budgetary Measures	Repeated	The Fiscal Officer is improving in this area.

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OHIO AUDITOR OF STATE
KEITH FABER



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 24, 2019**