

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

FOR THE YEAR ENDED
DECEMBER 31, 2012

LISA M. STITELER, FISCAL OFFICER



Dave Yost • Auditor of State

Village Council
Village of Newcomerstown
124 West Church Street
Newcomerstown, Ohio 43832

We have reviewed the *Independent Auditor's Report* of the Village of Newcomerstown, Tuscarawas County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Newcomerstown is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 9, 2014

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**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Village of Newcomerstown
Tuscarawas County
124 West Church Street
Newcomerstown, Ohio 43832

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newcomerstown, Tuscarawas County, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village of Newcomerstown's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 of Newcomerstown'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 of Newcomerstown's internal control. Accordingly, we express no 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newcomerstown, Tuscarawas County, Ohio, as of December 31, 2012, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General fund, Street Maintenance fund, and Street Levy fund, thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As disclosed in Note 16, on October 11, 2012, the Auditor of State declared the Village of Newcomerstown to be in a state of fiscal emergency, in accordance with Section 118.03 of the Ohio Revised Code. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Village of Newcomerstown's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2014, on our consideration of the Village of Newcomerstown'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 of Newcomerstown's internal control over financial reporting and compliance.



Village of Newcomerstown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

This discussion and analysis of the Village of Newcomerstown's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2012, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2012 are as follows:

The total net position of the Village decreased by \$392,096.

Net position of governmental activities decreased \$143,556, which represents a 20.86 percent decrease from 2011. Net position of business-type activities decreased \$248,540, or 19.75 percent from 2011.

The Village's largest general receipts in governmental activities are income taxes of \$1,075,097 and intergovernmental receipts of \$183,987. These receipts represent, respectively, 61.36 and 10.29 percent of the total revenues received for governmental activities during the year. Property tax receipts made up 8.96 percent of total revenues.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Village of Newcomerstown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

The statement of net position and the statement of activities reflect how the Village did financially during 2012, within the limitations of modified cash basis accounting. The statement of net position presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net position and the statement of activities, we divide the Village into two types of activities:

Governmental activities Most of the Village's basic services are reported here, including police, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities The Village has two business-type activities: the provision of water and sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Village of Newcomerstown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Governmental Funds – Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) are combined and presented in total in a single column. The Village's major governmental funds are the general fund, street maintenance fund, and the street levy fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds: water and sewer.

The Government as a Whole

Table 1 provides a summary of the Village's net position for 2012 compared to 2011 on a modified cash basis:

		Table 1 Net Position					
		Governmental Activities		Business-Type Activities		Total	
		2012	2011	2012	2011	2012	2011
Assets							
Cash and Cash Equivalents		\$544,789	\$688,345	\$1,009,741	\$1,258,281	\$1,554,530	\$1,946,626
Net Position							
Restricted:							
Capital Projects		\$28,003	\$17,738	\$0	\$0	\$28,003	\$17,738
Other Purposes		515,250	799,189	0	0	515,250	799,189
Unrestricted (Deficit)		1,536	(128,582)	1,009,741	1,258,281	1,011,277	1,129,699
<i>Total Net Position</i>		\$544,789	\$688,345	\$1,009,741	\$1,258,281	\$1,554,530	\$1,946,626

Net position of the governmental activities decreased by \$143,556, or 20.86 percent, during 2012. The increase is due to an increase in disbursements, most significantly for transportation for additional road projects in 2012.

Village of Newcomerstown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Table 2 reflects the changes in net position for 2012 compared to 2011 and corresponds to the Statement of Activities.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Receipts						
Program Receipts:						
Charges for Services and Operating Assessments	\$114,572	\$104,917	\$881,873	\$817,559	\$996,445	\$922,476
Operating Grants and Contributions	218,615	178,160	0	0	218,615	178,160
Capital Grants and Contributions	50	4,971	0	0	50	4,971
Total Program Receipts	<u>333,237</u>	<u>288,048</u>	<u>881,873</u>	<u>817,559</u>	<u>1,215,110</u>	<u>1,105,607</u>
General Receipts:						
Property Taxes	156,938	125,159	0	0	156,938	125,159
Income Taxes	1,075,097	970,090	341,033	418,140	1,416,130	1,388,230
Intergovernmental	183,987	266,829	0	0	183,987	266,829
Interest	1,436	5,014	0	0	1,436	5,014
Other	37,408	33,380	11,123	6,152	48,531	39,532
Total General Receipts	<u>1,454,866</u>	<u>1,400,472</u>	<u>352,156</u>	<u>424,292</u>	<u>1,807,022</u>	<u>1,824,764</u>
Total Receipts	<u>1,788,103</u>	<u>1,688,520</u>	<u>1,234,029</u>	<u>1,241,851</u>	<u>3,022,132</u>	<u>2,930,371</u>
Program Disbursements						
General Government	355,837	401,237	0	0	355,837	401,237
Security of Persons and Property	580,175	493,908	0	0	580,175	493,908
Public Health and Welfare	74,718	102,726	0	0	74,718	102,726
Leisure Time Activities	48,084	38,336	0	0	48,084	38,336
Community Environment	0	25,218	0	0	0	25,218
Basic Utilities Service	3,336	3,299	0	0	3,336	3,299
Transportation	834,247	260,560	0	0	834,247	260,560
Capital Outlay	15,255	3,359	0	0	15,255	3,359
Principal Retirement	20,007	20,007	0	0	20,007	20,007
Water	0	0	592,640	466,678	592,640	466,678
Sewer	0	0	889,929	855,158	889,929	855,158
Total Disbursements	<u>1,931,659</u>	<u>1,348,650</u>	<u>1,482,569</u>	<u>1,321,836</u>	<u>3,414,228</u>	<u>2,670,486</u>
Change in Net Position	(143,556)	339,870	(248,540)	(79,985)	(392,096)	259,885
Net Position Beginning of Year	<u>688,345</u>	<u>348,475</u>	<u>1,258,281</u>	<u>1,338,266</u>	<u>1,946,626</u>	<u>1,686,741</u>
Net Position End of Year	<u><u>\$544,789</u></u>	<u><u>\$688,345</u></u>	<u><u>\$1,009,741</u></u>	<u><u>\$1,258,281</u></u>	<u><u>\$1,554,530</u></u>	<u><u>\$1,946,626</u></u>

Village of Newcomerstown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Program receipts for governmental activities represent only 18.64 percent of total receipts and are primarily comprised of operating grants and contributions.

General receipts for governmental activities represent 81.36 percent of the Village's total receipts, and of this amount, over 84 percent are local taxes. Grants and entitlements make up 12.65 percent of the Village's general receipts for governmental activities.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other government activities. These include the costs of council, the fiscal officer and internal services such as purchasing. These costs do not represent direct services to residents and they have been limited to 18.43 percent of the total general governmental disbursements of the Village in 2012.

Governmental Activities

If you look at the Statement of Activities on pages 12 and 13, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and transportation, which account for 30.04 and 43.17 percent of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
General Government	\$355,837	\$401,237	(\$339,802)	(\$392,169)
Security of Persons and Property	580,175	493,908	(548,522)	(458,681)
Public Health Services	74,718	102,726	(29,891)	(67,228)
Leisure Time Activities	48,084	38,336	(21,879)	(14,484)
Community Environment	0	25,218	0	(17,039)
Basic Utility Services	3,336	3,299	(3,192)	(3,299)
Transportation	834,247	260,560	(623,328)	(84,336)
Capital Outlay	15,255	3,359	(11,801)	(3,359)
Principal Retirement	20,007	20,007	(20,007)	(20,007)
Total Disbursements	\$1,931,659	\$1,348,650	(\$1,598,422)	(\$1,060,602)

Village of Newcomerstown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Business-type Activities

These activities represent 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 has two significant enterprise activities: water and sewer. The water fund had a decrease in net position of \$114,753 and the sewer fund net position decreased by \$133,787 due to increased operational costs.

The Village's Funds

Information about the Village's governmental funds begins on page 14. These funds are accounted for by using the modified cash basis of accounting. All governmental funds had total receipts of \$1,788,103 and disbursements of \$1,931,659. The general fund had receipts of \$1,135,935 and disbursements and transfers out of \$962,263, for an increase of \$173,672. The street maintenance fund had receipts of \$180,145 and disbursements of \$133,437, for an increase of \$46,708. The street levy fund had receipts of \$341,736 and disbursements of \$717,470, for a decrease of \$375,734.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During 2012, the Village did not amend the budgeted receipts. The actual receipts were \$212,938 more than the budgeted receipts, due mainly to actual income tax receipts coming in \$109,449 over budgeted receipts.

Original budgeted expenditures were equal to the final budgeted expenditures. Actual expenditures were \$121,848 higher than final budgeted expenditures due to higher overhead and support services costs than expected.

Debt Administration

At December 31, 2012, the Village had three OPWC loans outstanding in the amount of \$195,477 and four OWDA loans outstanding in the amount of \$3,938,367.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. We rely heavily on local property taxes and income taxes. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village. We will continue to monitor the finances of the Village and reduce costs in areas which would have the least impact on services to Village residents. We are also looking at ways to increase revenue.

Village of Newcomerstown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Beth Ferguson-Pollock, Fiscal Officer, Village of Newcomerstown, 124 West Church Street, Newcomerstown, Ohio 43832. The Village phone number is (740) 498-6289.

Village of Newcomerstown, Ohio
Tuscarawas County
Statement of Net Position - Modified Cash Basis
December 31, 2012

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$544,789	\$1,009,741	\$1,554,530
Net Position			
Restricted for:			
Capital Projects	\$28,003	\$0	\$28,003
Other Purposes	515,250	0	515,250
Unrestricted	1,536	1,009,741	1,011,277
<i>Total Net Position</i>	\$544,789	\$1,009,741	\$1,554,530

See accompanying notes to the basic financial statements

Village of Newcomerstown, Ohio
Tuscarawas County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2012

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Operating Assessments	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
General Government	\$355,837	\$15,435	\$600	\$0
Security of Persons and Property	580,175	24,957	6,696	0
Public Health Services	74,718	44,427	400	0
Leisure Time Activities	48,084	26,205	0	0
Basic Utility Services	3,336	144	0	0
Transportation	834,247	0	210,919	0
Capital Outlay	15,255	3,404	0	50
Debt Service:				
Principal Retirement	20,007	0	0	0
<i>Total Governmental Activities</i>	<u>1,931,659</u>	<u>114,572</u>	<u>218,615</u>	<u>50</u>
Business-Type Activities				
Water	592,640	470,874	0	0
Sewer	889,929	410,999	0	0
<i>Total Business-Type Activities</i>	<u>1,482,569</u>	<u>881,873</u>	<u>0</u>	<u>0</u>
Total	<u><u>\$3,414,228</u></u>	<u><u>\$996,445</u></u>	<u><u>\$218,615</u></u>	<u><u>\$50</u></u>

General Receipts

Property Taxes Levied for:

General Purposes

Other Purposes

Income Taxes Levied for:

General Purposes

Other Purposes

Capital Outlay

Intergovernmental

Interest

Miscellaneous

Total General Receipts

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net Receipts (Disbursements)
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$339,802)	\$0	(\$339,802)
(548,522)	0	(548,522)
(29,891)	0	(29,891)
(21,879)	0	(21,879)
(3,192)	0	(3,192)
(623,328)	0	(623,328)
(11,801)	0	(11,801)
(20,007)	0	(20,007)
(1,598,422)	0	(1,598,422)
0	(121,766)	(121,766)
0	(478,930)	(478,930)
0	(600,696)	(600,696)
(1,598,422)	(600,696)	(2,199,118)
142,137	0	142,137
14,801	0	14,801
724,064	0	724,064
341,033	341,033	682,066
10,000	0	10,000
183,987	0	183,987
1,436	0	1,436
37,408	11,123	48,531
1,454,866	352,156	1,807,022
(143,556)	(248,540)	(392,096)
688,345	1,258,281	1,946,626
\$544,789	\$1,009,741	\$1,554,530

Village of Newcomerstown, Ohio
Tuscarawas County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2012

	General	Street Maintenance	Street Levy	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$639	\$49,244	\$327,018	\$167,888	\$544,789
Interfund Receivable	170,420	0	0	0	170,420
<i>Total Assets</i>	<u>\$171,059</u>	<u>\$49,244</u>	<u>\$327,018</u>	<u>\$167,888</u>	<u>\$715,209</u>
Liabilities and Fund Balances					
Liabilities					
Interfund Payable	\$0	\$0	\$0	\$170,420	\$170,420
Fund Balances					
Restricted	0	49,244	327,018	166,991	543,253
Committed	0	0	0	897	897
Assigned	10,402	0	0	0	10,402
Unassigned (Deficit)	160,657	0	0	(170,420)	(9,763)
<i>Total Fund Balances</i>	<u>171,059</u>	<u>49,244</u>	<u>327,018</u>	<u>(2,532)</u>	<u>544,789</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$171,059</u>	<u>\$49,244</u>	<u>\$327,018</u>	<u>\$167,888</u>	<u>\$715,209</u>

See accompanying notes to the basic financial statements

Village of Newcomerstown, Ohio
Tuscarawas County
Statement of Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Street Maintenance	Street Levy	Other Governmental Funds	Total Governmental Funds
Receipts					
Income Taxes	\$724,064	\$0	\$341,033	\$10,000	\$1,075,097
Property Taxes	142,137	0	0	14,801	156,938
Charges for Services	26,205	0	0	42,894	69,099
Fines, Licenses and Permits	34,667	0	0	1,393	36,060
Intergovernmental	183,987	162,448	0	55,167	401,602
Special Assessments	4,553	0	0	0	4,553
Rent	0	0	0	4,860	4,860
Contributions and Donations	600	0	0	450	1,050
Interest	668	0	703	65	1,436
Miscellaneous	19,054	17,697	0	657	37,408
<i>Total Receipts</i>	<u>1,135,935</u>	<u>180,145</u>	<u>341,736</u>	<u>130,287</u>	<u>1,788,103</u>
Disbursements					
Current:					
General Government	355,837	0	0	0	355,837
Security of Persons and Property	543,236	0	0	36,939	580,175
Public Health Services	1,770	0	0	72,948	74,718
Leisure Time Activities	48,084	0	0	0	48,084
Basic Utility Services	3,336	0	0	0	3,336
Transportation	0	133,437	697,463	3,347	834,247
Capital Outlay	0	0	0	15,255	15,255
Debt Service:					
Principal Retirement	0	0	20,007	0	20,007
<i>Total Disbursements</i>	<u>952,263</u>	<u>133,437</u>	<u>717,470</u>	<u>128,489</u>	<u>1,931,659</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>183,672</u>	<u>46,708</u>	<u>(375,734)</u>	<u>1,798</u>	<u>(143,556)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	10,000	10,000
Transfers Out	(10,000)	0	0	0	(10,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(10,000)</u>	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	173,672	46,708	(375,734)	11,798	(143,556)
<i>Fund Balance (Deficit) Beginning of Year</i>	<u>(2,613)</u>	<u>2,536</u>	<u>702,752</u>	<u>(14,330)</u>	<u>688,345</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$171,059</u>	<u>\$49,244</u>	<u>\$327,018</u>	<u>(\$2,532)</u>	<u>\$544,789</u>

See accompanying notes to the basic financial statements

Village of Newcomerstown, Ohio
Tuscarawas County
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Income Taxes	\$614,615	\$614,615	\$724,064	\$109,449
Property Taxes	96,339	96,339	142,137	45,798
Fines, Licenses and Permits	29,805	29,805	34,667	4,862
Intergovernmental	115,991	115,991	183,987	67,996
Special Assessments	2,775	2,775	4,553	1,778
Contributions and Donations	0	0	600	600
Interest	11,542	11,542	668	(10,874)
Miscellaneous	25,664	25,664	18,993	(6,671)
<i>Total Receipts</i>	896,731	896,731	1,109,669	212,938
Disbursements				
Current:				
General Government	244,295	244,295	364,871	(120,576)
Security of Persons and Property	543,302	543,302	544,604	(1,302)
Public Health Services	1,800	1,800	1,770	30
Basic Utility Services	3,336	3,336	3,336	0
<i>Total Disbursements</i>	792,733	792,733	914,581	(121,848)
<i>Excess of Receipts Over Disbursements</i>	103,998	103,998	195,088	91,090
Other Financing Uses				
Transfers Out	(20,000)	(20,000)	(10,000)	10,000
<i>Net Change in Fund Balance</i>	83,998	83,998	185,088	101,090
<i>Fund Deficit Beginning of Year</i>	(3,678)	(3,678)	(3,678)	0
<i>Fund Balance End of Year</i>	\$80,320	\$80,320	\$181,410	\$101,090

See accompanying notes to the basic financial statements

Village of Newcomerstown, Ohio
Tuscarawas County
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
Street Maintenance Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$162,604	\$162,604	\$162,448	(\$156)
Miscellaneous	0	0	17,697	17,697
<i>Total Receipts</i>	162,604	162,604	180,145	17,541
Disbursements				
Current:				
Transportation	158,398	158,398	133,437	24,961
<i>Net Change in Fund Balance</i>	4,206	4,206	46,708	42,502
<i>Fund Balance Beginning of Year</i>	2,536	2,536	2,536	0
<i>Fund Balance End of Year</i>	<u>\$6,742</u>	<u>\$6,742</u>	<u>\$49,244</u>	<u>\$42,502</u>

See accompanying notes to the basic financial statements

Village of Newcomerstown, Ohio
Tuscarawas County
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
Street Levy Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Income Tax	\$298,404	\$298,404	\$341,033	\$42,629
Interest	0	0	703	703
<i>Total Receipts</i>	298,404	298,404	341,736	43,332
Disbursements				
Current:				
Transportation	780,000	780,000	703,736	76,264
Debt Service:				
Principal Retirement	20,007	20,007	20,007	0
<i>Total Disbursements</i>	800,007	800,007	723,743	76,264
<i>Net Change in Fund Balance</i>	(501,603)	(501,603)	(382,007)	119,596
<i>Fund Balance Beginning of Year</i>	702,752	702,752	702,752	0
<i>Fund Balance End of Year</i>	\$201,149	\$201,149	\$320,745	\$119,596

See accompanying notes to the basic financial statements

Village of Newcomerstown, Ohio
Tuscarawas County
Statement of Fund Net Position - Modified Cash Basis
Enterprise Funds
December 31, 2012

	Business-Type Activities		
	Water	Sewer	Total Enterprise Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$192,110	\$817,631	\$1,009,741
Net Position			
Unrestricted	\$192,110	\$817,631	\$1,009,741

See accompanying notes to the basic financial statements

Village of Newcomerstown, Ohio
Tuscarawas County
*Statement of Receipts,
Disbursements and Changes in Fund Net Position - Modified Cash Basis
Enterprise Funds
For the Year Ended December 31, 2012*

	Business-Type Activities		
	Water	Sewer	Total Enterprise Funds
Operating Receipts			
Charges for Services	\$470,874	\$410,999	\$881,873
Other Operating Receipts	7,013	4,110	11,123
<i>Total Operating Receipts</i>	<u>477,887</u>	<u>415,109</u>	<u>892,996</u>
Operating Disbursements			
Personal Services	233,905	243,483	477,388
Contractual Services	121,290	188,677	309,967
Materials and Supplies	160,279	86,650	246,929
<i>Total Operating Disbursements</i>	<u>515,474</u>	<u>518,810</u>	<u>1,034,284</u>
<i>Operating Loss</i>	<u>(37,587)</u>	<u>(103,701)</u>	<u>(141,288)</u>
Non-Operating Receipts (Disbursements)			
Income Taxes	0	341,033	341,033
Capital Outlay	0	(79,806)	(79,806)
Principal Payments	(63,303)	(246,761)	(310,064)
Interest and Fiscal Charges	(13,863)	(44,552)	(58,415)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<u>(77,166)</u>	<u>(30,086)</u>	<u>(107,252)</u>
<i>Change in Net Position</i>	(114,753)	(133,787)	(248,540)
<i>Net Position Beginning of Year</i>	<u>306,863</u>	<u>951,418</u>	<u>1,258,281</u>
<i>Net Position End of Year</i>	<u><u>\$192,110</u></u>	<u><u>\$817,631</u></u>	<u><u>\$1,009,741</u></u>

See accompanying notes to the basic financial statements

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 1 – Description of the Village and Reporting Entity

The Village of Newcomerstown, Tuscarawas County, Ohio (the Village), 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. The Village is directed by a six-member Council.

On October 11, 2012, the Auditor of State's office declared the Village to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the Village, Council member, three financial consultants from various corporations and/or organizations and two representatives from the State of Ohio. The Commission is required to adopt a financial recovery plan for the Village, and the plan must be updated annually. Once the plan is adopted, the Village's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, police services and Mayor's Court. Council has direct responsibility for these services.

Jointly Governed Organizations

The Village participates in two jointly governed organizations. These organizations are presented in Note 14. 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

As discussed further in Note 2 – Basis of Accounting, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses fund accounting 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 in two categories: governmental and proprietary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General Fund The general fund is used to account for and report all financial resources, except those required to be 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.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Street Maintenance Fund The street maintenance special revenue fund accounts for and reports monies received from gasoline and motor vehicle taxes restricted for constructing, maintaining, and repairing Village streets.

Street Levy Fund The street levy special revenue fund accounts for and reports income tax monies restricted for constructing, maintaining, and repairing Village streets.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds. The Village has no internal service funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major 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.

Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the department and object level for all funds. Any budgetary modification at this level may only be made by Village Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

The Village has no investments as of year end. Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the street levy fund during 2012 amounted to \$703, \$396 of which was assigned from other funds.

Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

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

Interfund Receivables/Payables

The fund financial statements report outstanding interfund loans as interfund receivables/payables. Interfund loans, which do not represent available expendable resources, are classified as nonspendable fund balance. Interfund balances are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as 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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute. State statute authorizes the fiscal officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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.

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for street and state highway improvements and federal and state grants restricted to cash disbursements for specified purposes. The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted resources are available.

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. Transfers between governmental funds are eliminated on the government-wide financial statements. Internal allocations of overhead disbursements from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 3 – Change in Accounting Principle

For 2012, the Village has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the Village's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the Village's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Village's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the Village's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the Village's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the Village's financial statements.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipt, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, street maintenance fund, and street levy fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

basis) rather than as restricted, committed, or assigned fund balance (modified cash basis) and budgetary receipts and disbursements of the park and downtown revitalization funds are reclassified to the general fund for modified cash basis reporting. The following table summarizes the adjustments necessary to reconcile the modified cash basis statement to the budgetary basis statements for the general fund and major special revenue funds.

Net Change in Fund Balances

	General	Street Maintenance	Street Levy
Modified Cash Basis	\$173,672	\$46,708	(\$375,734)
Net Change in Fund Balance:			
Funds Budgeted Elsewhere	21,818	0	0
Encumbrances	(10,402)	0	(6,273)
Budgetary Basis	\$185,088	\$46,708	(\$382,007)

Note 5 – Accountability and Compliance

Accountability

Fund balances at December 31, 2012, included the following individual fund deficits:

Nonmajor Governmental Funds:

Cemetery	(\$166,635)
Police Pension	(3,785)

Compliance

The Village had a deficit cash fund balance in noncompliance with Section 5705.10, Ohio Revised Code.

Also, contrary to Sections 5705.40 and 5705.41(B), Ohio Revised Code, the general fund had expenditures plus encumbrances in excess of final appropriations in the amount of \$111,848. Although this budgetary violation was not corrected by year end, management has indicated that appropriations will be closely monitored to prevent future violations.

The Village had invoices dated prior to purchase orders in noncompliance with Section 5705.41(D), Ohio Revised Code.

The Village did not make timely deposits with the Fiscal Officer or designated depository for Mayor’s Court receipts in noncompliance with Section 9.38, Ohio Revised Code.

Note 6 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit, or savings, or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$976,000 of the Village's bank balance of \$1,855,756 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 7 – Income Taxes

The Village levies a municipal income tax of 2 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. Additional increases in the income tax rate require voter approval.

Employers within the Village withhold income tax on employee compensation and remit the tax quarterly. Corporations and other individual taxpayers remit estimated taxes quarterly and file a declaration annually. Income tax revenue is credited to the general, street levy, capital improvement, and sewer funds.

Note 8 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax receipts received during 2012 for real and public utility property taxes represents collections of the 2011 taxes.

2012 real property taxes are levied after October 1, 2012 on the assessed values as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien on December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2012, was \$2.50 per \$1,000 of assessed value. The assessed values of real property and public utility personal property upon which 2012 property tax receipts were based are as follows:

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Real Property	\$44,840,950
Public Utility Property	<u>1,851,680</u>
Total	<u><u>\$46,692,630</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 9 – Interfund Transactions

Interfund Receivables/Payables

Interfund balances at December 31, 2012, consisted of the general fund having a receivable of \$170,420, in order to cover negative cash deficits at year end. The interfund payables are in the cemetery and police pension funds in the amounts of \$166,635 and \$3,785, respectively.

Interfund Transfers

During 2012, the general fund transferred \$10,000 to the police pension fund in order to cover program expenses.

Note 10 – Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village contracted with Kennedy Insurance Agency for the various types of insurance coverage:

Type of Coverage	Coverage
Commercial Property	\$13,330,365
General Liability:	
Aggregate	2,000,000
Each Occurance	1,000,000
Employment Practices:	
Aggregate	2,000,000
Each Occurance	1,000,000
Public Officials Liability:	
Aggregate	2,000,000
Each Occurance	1,000,000
Law Enforcement Liability:	
Aggregate	2,000,000
Each Occurance	1,000,000

Village of Newcomerstown, Ohio
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

Note 11 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year fiscal year ended December 31, 2012, members in state and local classifications contributed 10 percent of covered payroll.

The Village's contribution rate for year 2012 was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for the year. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010, were \$59,358, \$47,895, and \$58,830, respectively. The full amount has been contributed for all years. No contributions were made to the Member-Directed Plan for 2012.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Funding Policy – The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The Village's contributions to OP&F for police for the years end December 31, 2012, 2011, and 2010 were \$23,731, \$37,508, and \$43,773, respectively. The full amount has been contributed for all years.

Note 12 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, state and local employers contributed at a rate of 14 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of the employer contribution allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2012, 2011, and 2010 were \$23,731, \$26,608, and \$33,539, respectively. The full amount has been contributed for all years.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

Funding policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F which were allocated to fund postemployment healthcare benefits for police were \$12,563, \$19,857, and \$23,174, for the years ended December 31, 2012, 2011, and 2010, respectively. The full amount has been contributed for all years.

Note 13 – Long-Term Obligations

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities			
OPWC Loans:			
State and Goodrich Streets Improvement	0.00 %	\$183,391	1/1/2020
Canal Street Improvements	0.00	124,500	7/1/2021
Business-Type Activities			
OPWC Loans:			
County Road 15 Pump Station	0.00	45,000	7/1/2027
OWDA Loans:			
Water Treatment Plant	2.00	1,506,553	1/1/2022
Wastewater Treatment Plant Improvements I	2.00	1,166,795	7/1/2027
Wastewater Treatment Plant Improvements II	1.00	3,066,361	1/1/2025
County Road 15 Pump Station	1.00	1,084,875	Not Finalized

	Balance 12/31/11	Increase	Decrease	Balance 12/31/12	Amounts Due In One Year
<i>Governmental Activities</i>					
OPWC Loans Payable:					
State and Goodrich Streets Improvement	\$103,922	\$0	(\$12,226)	\$91,696	\$12,226
Canal Street Improvements	77,812	0	(7,781)	70,031	7,781
<i>Total Governmental Activities</i>	<u>\$181,734</u>	<u>\$0</u>	<u>(\$20,007)</u>	<u>\$161,727</u>	<u>\$20,007</u>
<i>Business-Type Activities</i>					
OPWC Loans Payable:					
County Road 15 Pump Station	\$36,000	\$0	(\$2,250)	\$33,750	\$2,250
OWDA Loans Payable:					
Water Treatment Plant	693,153	0	(63,303)	629,850	32,285
Wastewater Treatment Plant Improvements I	790,112	0	(43,953)	746,159	22,307
Wastewater Treatment Plant Improvements II	2,061,974	0	(149,295)	1,912,679	75,208
County Road 15 Pump Station	700,942	0	(51,263)	649,679	0
Total OWDA Loans Payable	<u>4,246,181</u>	<u>0</u>	<u>(307,814)</u>	<u>3,938,367</u>	<u>129,800</u>
<i>Total Business-Type Activities</i>	<u>\$4,282,181</u>	<u>\$0</u>	<u>(\$310,064)</u>	<u>\$3,972,117</u>	<u>\$132,050</u>

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The two loans from the Ohio Public Works Commission are for street improvements to be repaid in semi-annual installments over 16 and 15 years, respectively. A third loan from the Ohio Public Works Commission is for a pump station and will be repaid in semi-annual installments over 20 years.

The Village has four loans outstanding with the Ohio Water Development Authority (OWDA). One loan deals with the construction of the Water Treatment Plant, which will be repaid over a period of 25 years. Two of the loans relate to improvements made to the Water Treatment Plant and will be paid off over 25 and 20 years, respectively. The fourth loan is for projects related to the pump station and will be paid over a period of 20 years.

A line of credit has been established with the Ohio Water Development Authority in the amount of \$1,084,875 for the County Road 15 pump station sewer project. Since this loan payment schedule has not been finalized, the repayment schedule is not included in the schedule of debt service requirements.

The following is a summary of the Village's future annual principal and interest requirements for debt:

	Governmental Activities	Business-Type Activities		
	OPWC Loans	OPWC Loans	OWDA Loans	
	Principal	Principal	Principal	Interest
2013	\$20,007	\$2,250	\$129,800	\$23,323
2014	20,008	2,250	262,045	44,200
2015	20,007	2,250	265,779	40,466
2016	20,007	2,250	269,572	36,673
2017	20,007	2,250	273,426	32,819
2018-2022	61,691	11,250	1,388,556	104,085
2023-2027	0	11,250	699,510	22,022
Totals	<u>\$161,727</u>	<u>\$33,750</u>	<u>\$3,288,688</u>	<u>\$303,588</u>

The Village has pledged future revenues, net of operating expenses, to repay an OWDA loan in the Village water fund. The debt is payable solely from net revenues and are payable through 2022. Annual principal and interest payments on the debt issues are expected to require less than 17 percent of total revenues. The total principal and interest remaining to be paid on the debt is \$694,497, total net revenues were (\$37,587), and total revenues were \$477,887.

The Village has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans in the Village sewer fund. The debt is payable solely from net revenues and are payable through 2027. Annual principal and interest payments on the debt issues are expected to require less than 185 percent of net revenues and less than 39 percent of total revenues. The total principal and interest remaining to be paid on the debt is \$2,931,529, total net revenues were \$157,526, and total revenues were \$756,142.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 14 – Jointly Governed Organizations

Tuscarawas County Regional Planning Commission

The Village is associated with the Tuscarawas County Regional Planning commission as a jointly governed organization. The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county.

Tuscarawas County Tax Incentive Review Control

The Tuscarawas County Tax Incentive Review Control (Council) is a jointly governed organization, created as a regional council of governments pursuant to State statutes. The Council has 20 members, consisting of three members appointed by the Tuscarawas County Commissioners, four members appointed by municipal corporations and six members appointed by boards of education located within the County. The Council reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however the Council can make a written recommendation to the legislative authority which approved the agreement. There is no cost associated with being a member of the Council. The continued existence of the Council is not dependent upon the Village's continued participation and no measurable equity interests exist.

Note 15 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 16 – Fiscal Emergency

In accordance with Ohio Revised Code Chapter 118, the Village was placed under fiscal emergency by the Auditor of State on October 11, 2012, due to a deficit cash fund balance in the cemetery fund at December 31, 2011 and April 30, 2012. Note 5 states the deficit cash fund balances at December 31, 2012.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 17 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Street Maintenance	Street Levy	Other Governmental Funds	Total
<u>Restricted to:</u>					
Transportation	\$0	\$49,244	\$327,018	\$71,155	\$447,417
Public Safety	0	0	0	23,958	23,958
Public Health	0	0	0	43,875	43,875
Capital Improvements	0	0	0	28,003	28,003
<i>Total Restricted</i>	0	49,244	327,018	166,991	543,253
<u>Committed to:</u>					
Capital Improvements	0	0	0	897	897
<u>Assigned to:</u>					
Purchases on Order	10,402	0	0	0	10,402
Unassigned (Deficit)	160,657	0	0	(170,420)	(9,763)
Total Fund Balances (Deficit)	<u>\$171,059</u>	<u>\$49,244</u>	<u>\$327,018</u>	<u>(\$2,532)</u>	<u>\$544,789</u>



Julian & Grube, Inc.
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Village of Newcomerstown
Tuscarawas County
124 West Church Street
Newcomerstown, Ohio 43832

To the Members of Council and Mayor:

We have audited in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newcomerstown, Tuscarawas County, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village of Newcomerstown's basic financial statements and have issued our report thereon dated July 30, 2014, wherein we noted the Village of Newcomerstown uses a special purpose framework other than generally accepted accounting principles. As disclosed in Note 16, on October 11, 2012, the Village of Newcomerstown was declared by the Auditor of State to be in a state of fiscal emergency.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village of Newcomerstown'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 of Newcomerstown'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 of Newcomerstown'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Members of Council and Mayor
Village of Newcomerstown

Compliance and Other Matters

As part of reasonably assuring whether the Village of Newcomerstown'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 five instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2012-VON-001 through 2012-VON-005.

Entity's Response to Findings

The Village of Newcomerstown's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village of Newcomerstown's responses and, accordingly, we express no opinion on them.

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 of Newcomerstown's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village of Newcomerstown's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
July 30, 2014

VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012

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

Finding Number	2012-VON-001
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations.

Disbursements exceeded appropriations due to the Village not timely or properly modifying its appropriations throughout the year.

By not timely and properly modifying the Village's appropriations, the Village is not adequately monitoring appropriations versus disbursements. With disbursements exceeding appropriations, overspending may occur which may result in a negative fund balance.

We recommend that the Village comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring disbursements so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary, subsequent to the passage of permanent appropriations.

Client Response: The Village has had turnover in the fiscal office position. The current Fiscal Officer is aware of the budgetary requirements and is seeking to resolve this.

Finding Number	2012-VON-002
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Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

The Village had expenditures exceeding appropriations in the General Fund - sixteen department objects, Street Maintenance Fund - two department objects, Street Levy Fund - two department objects, Water Fund - five department objects and Sewer Fund - four department objects. Due to practicality, individual objects are not disclosed.

With disbursements exceeding appropriations, the Village is expending monies that have not been appropriated and approved by the Village Council. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the Village monitor closely the annual budget and file amended appropriations as needed to ensure disbursements are within the amounts legally appropriated. In addition, we also recommend the Village fiscal officer review and amend appropriations when it is determined that disbursements will exceed appropriations.

Client Response: The Village will review more closely the appropriations and disbursements.

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2012-VON-003

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The Village had 11% of disbursements that were not timely certified.

Without timely certification, the Village may expend more funds than available in the Treasury, in the process of collection or in the funds appropriated. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Council and distributed at least annually may be beneficial. The Village should consider using "Then" and "Now" certificates where applicable.

Client Response: The Village is attempting to use blanket certificates and "Then and Now" certificates when applicable.

Finding Number	2012-VON-004
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Ohio Revised Code Sections 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover the expenditures.

The Village maintained a negative cash fund balance in the following fund:

Non Major Governmental Fund:

Police Pension	(3,785)
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By having a negative fund balance, this fund has spent other funds' balances. This could indicate insufficient monitoring of appropriations and related expenditures and continual review of cash management. No fund should have a negative cash fund balance throughout the year or at year end.

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2012-VON-004 - (Continued)

We recommend that the Village properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the Village should advance or transfer funds from the General Fund with proper Council approval. We recommend the Village utilize its accounting software program to its fullest and continually review relevant reports to assist in preventing negative fund balances.

Client Response: The Village Fiscal Officer will attempt to monitor cash balances throughout the year and advance or transfer funds as necessary.

Finding Number	2012-VON-005
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Ohio Revised Code Section 9.38 requires that deposits of public money be made in a timely manner. Public money must be deposited to the public office or to a designated depository the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it.

Funds collected by the Mayor's Court were held without being deposited within the required time.

By not making timely deposits with the Fiscal Officer or designated depository, the Mayor's Court is subject to an increased risk of loss.

We recommend that the Fiscal Officer monitor all department collections and ensure that monies are deposited in accordance with state statute. This will improve cash flow and reduce the risk of loss. Further guidance regarding specific dollar amounts may be found in the Ohio Compliance Supplement.

Client's Response: The Village is attempting to monitor the deposits more closely.

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	<u>Noncompliance Citation</u> - Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated. The Village had expenditures plus encumbrances that exceeded appropriations.	No	Repeated as finding 2012-VON-002
2011-002	<u>Noncompliance Citation</u> - Ohio Revised Code Section 5705.10 prohibits the Village from having negative fund balances. The General and Cemetery funds were found to have negative cash balances.	No	Repeated as finding 2012-VON-004
2011-003	<u>Noncompliance Citation</u> - Ohio Revised Code Section 5705.39 states that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure. The Village General fund had appropriations exceeding total estimated resources.	Yes	N/A



Dave Yost • Auditor of State

VILLAGE OF NEWCOMERSTOWN

TUSCARAWAS 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
SEPTEMBER 23, 2014**