



Dave Yost • Auditor of State

**VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of New Concord
Muskingum County
2 West Main Street
P.O. Box 10
New Concord, Ohio 43762

To the Village Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 22, 2018

Village of New Concord, Ohio
Muskingum County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$98,457	\$107,692	\$0	\$0	\$206,149
Municipal Income Tax	905,864	0	0	0	905,864
Intergovernmental	35,444	133,230	21,139	0	189,813
Charges for Services	0	412,790	0	0	412,790
Fines, Licenses and Permits	33,528	0	0	0	33,528
Earnings on Investments	5,060	0	0	0	5,060
Miscellaneous	41,571	38,554	0	0	80,125
<i>Total Cash Receipts</i>	<u>1,119,924</u>	<u>692,266</u>	<u>21,139</u>	<u>0</u>	<u>1,833,329</u>
Cash Disbursements					
Current:					
Security of Persons and Property	287,917	592,048	0	0	879,965
Leisure Time Activities	0	28,971	0	0	28,971
Transportation	0	203,626	0	0	203,626
General Government	325,795	0	0	3,000	328,795
Capital Outlay	16,495	177,344	0	0	193,839
Debt Service:					
Principal Retirement	12,435	83,121	107,779	0	203,335
Interest and Fiscal Charges	897	7,526	10,483	0	18,906
<i>Total Cash Disbursements</i>	<u>643,539</u>	<u>1,092,636</u>	<u>118,262</u>	<u>3,000</u>	<u>1,857,437</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>476,385</u>	<u>(400,370)</u>	<u>(97,123)</u>	<u>(3,000)</u>	<u>(24,108)</u>
Other Financing Receipts (Disbursements)					
Transfers In	0	387,070	97,123	0	484,193
Transfers Out	(484,193)	0	0	0	(484,193)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(484,193)</u>	<u>387,070</u>	<u>97,123</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(7,808)	(13,300)	0	(3,000)	(24,108)
<i>Fund Cash Balances, January 1</i>	<u>84,308</u>	<u>246,131</u>	<u>0</u>	<u>3,655</u>	<u>334,094</u>
Fund Cash Balances, December 31					
Restricted	0	149,248	0	655	149,903
Committed	0	83,583	0	0	83,583
Assigned	34,554	0	0	0	34,554
Unassigned (Deficit)	41,946	0	0	0	41,946
<i>Fund Cash Balances, December 31</i>	<u>\$76,500</u>	<u>\$232,831</u>	<u>\$0</u>	<u>\$655</u>	<u>\$309,986</u>

See accompanying notes to the basic financial statements.

Village of New Concord, Ohio
Muskingum County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,129,212	\$0	\$1,129,212
Fines, Licenses and Permits	0	12,894	12,894
<i>Total Operating Cash Receipts</i>	<u>1,129,212</u>	<u>12,894</u>	<u>1,142,106</u>
Operating Cash Disbursements			
Personal Services	516,837	0	516,837
Contractual Services	103,474	12,531	116,005
Supplies and Materials	65,978	0	65,978
Other	153,258	0	153,258
<i>Total Operating Cash Disbursements</i>	<u>839,547</u>	<u>12,531</u>	<u>852,078</u>
<i>Operating Income (Loss)</i>	<u>289,665</u>	<u>363</u>	<u>290,028</u>
Non-Operating Receipts (Disbursements)			
Loans Issued	465,275	0	465,275
Miscellaneous Receipts	4,100	0	4,100
Capital Outlay	(541,060)	0	(541,060)
Principal Retirement	(169,528)	0	(169,528)
Interest and Other Fiscal Charges	(43,597)	0	(43,597)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(284,810)</u>	<u>0</u>	<u>(284,810)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	4,855	363	5,218
Transfers In	27,367	0	27,367
Transfers Out	(27,367)	0	(27,367)
Advances In	50,000	0	50,000
Advances Out	(50,000)	0	(50,000)
<i>Net Change in Fund Cash Balances</i>	4,855	363	5,218
<i>Fund Cash Balances, January 1</i>	<u>298,111</u>	<u>827</u>	<u>298,938</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$302,966</u></u>	<u><u>\$1,190</u></u>	<u><u>\$304,156</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF NEW CONCORD
Muskingum County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of New Concord, Muskingum 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.

A publicly-elected six-member Council directs the Village. The Village provides the following services: police protection, fire protection, water, sewer, street maintenance and repair, Village court, as well as other general government services.

The Village's management believes the financial statements included in this report present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Fire and EMS Fund – This fund receives transfers from the general fund, grants, and charges for services monies to provide fire and emergency medical services for the Village.

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

Garland Hotel TIF Fund - This fund was established to pay expenses related to infrastructure improvements within the designated development area. The process known as "Tax Increment Financing" allows communities to improve inadequate infrastructure in designated development areas. Revenue is received through monies collected by the County Auditor as payments in lieu of taxes from properties in the development area.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

New Concord Cemetery Fund – This fund was established to account for money received from burials and the sale of plots to maintain the New Concord Cemetery.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

Incentive District Debt Fund - This fund was established to pay debt related to infrastructure improvements in the District. The process known as “Tax Increment Financing” allows communities to improve inadequate infrastructure in designated development areas. Revenue is received through bonds and notes issued by the Village. The debt is repaid from monies collected by the County Auditor as payments in lieu of taxes from properties in the District. The County Auditor issues these funds to the Village through the semi-annual tax settlement shown as assessments on the properties in the District. Up to 75% of new taxes on properties in the District will be collected for up to ten years to pay for the new debt to make the improvements.

Various Purpose General Obligation Bond Retirement Fund – This fund receives transfers from the General Fund to pay the required debt payments.

General Obligation Limited Tax Bond Anticipation Note Retirement Fund – This fund receives transfers from the General Fund to pay the required debt payments.

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

S. Friendship Improvement Fund – This fund was established to enhance economic development at the I-70 Corridor into the Village.

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Water System Improvement Fund – This fund was established to pay the cost of infrastructure improvements to the ground water storage system, water line extensions and various improvements, together with all necessary appurtenances thereto on the water system improvements.

Fiduciary Funds Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village’s agency fund accounts for activity of the Mayor’s Court. This fund receives fines and forfeitures from police department citations. These monies are divided between the Village, Muskingum County and the State, as prescribed by law.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio Rev. Code §5705.09(C), the Village failed to make debt payments from a bond retirement fund.

Contrary to Ohio Revised Code Section 5705.38(C), the Village approved appropriations at the fund level rather than at the office, department, and division level as required for a Village.

Contrary to Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriations in one fund.

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

Note 4 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,148,756	\$1,119,924	(\$28,832)
Special Revenue	1,013,600	1,079,336	65,736
Debt Service	123,123	118,262	(4,861)
Enterprise	1,946,367	1,675,954	(270,413)
Total	\$4,231,846	\$3,993,476	(\$238,370)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,237,408	\$1,127,732	\$109,676
Special Revenue	1,202,595	1,092,636	109,959
Debt Service	122,935	118,262	4,673
Capital Projects	3,000	3,000	0
Enterprise	1,404,788	1,671,099	(266,311)
Total	\$3,970,726	\$4,012,729	(\$42,003)

Note 5 – Deposits and Investments

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

	2017
Demand deposits	\$614,142

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

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the

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

Note 6 – Taxes (Continued)

County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Local Income Taxes

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

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

Note 7 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Retirement System

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

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

Note 8 - Defined Benefit Pension Plans (Continued)

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

Certain Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% to participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 1 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2011 Sewer Bonds	\$261,535	4.125%
2004 Various Prupose General Obligation Bonds	65,000	4.5%
2008 Sludge Press	15,502	5.25%
2014 TIF Bonds	122,058	1.8875%
2012 OPWC Loan	119,277	0%
2010 OPWC Loan	191,625	0%
OWDA Water Improvement Loan	284,912	5.85%
OWDA Wastewater Improvement Loan	64,050	0%
OWDA East Side Sanitary Sewer Loan	77,631	1%
OWDA Waterline Replacement Loan	38,553	3.45%
USDA Wastewater Treatment Plant Loan	518,120	2.25%
Trans/Lighting Project Note	24,983	2.50%
Total	<u><u>\$1,783,246</u></u>	

Debt outstanding at December 31, 2017 for projects not yet completed was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan - Water Storage Tank Replacement	\$308,082	0%
OWDA Loan - Water System Improvements	39,286	3.06%
OWDA Loan - Ground Water Storage Tank /Waterlines	117,907	1.14%
Total	<u><u>\$465,275</u></u>	

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

Note 10 – Debt (Continued)

As amortization schedules were also not completed for the above listed projects, they have not been included in the amortization table that follows.

The 2011 Sewer Bonds were a refinanced debt of 2011 in the amount of \$408,000. Repayment is made to the Community Bank in semiannual payments of \$19,405 from the Sewer Revenue Fund. Sewer receipts collateralize the loan.

The 2004 Various Purpose General Obligation Bonds were issued for \$725,000 at 4.5% interest. Repayment is made to Huntington National Bank in semiannual payments from the General Fund. In 2017, these payments totaled \$71,500. These bonds are secured by the full faith, credit and revenue of the Village.

The 2008 Sludge Press obligation was issued for \$125,000 at the interest rate of 5.25%. Annual payments of \$16,456 are made to Huntington National Bank from the Sewer Revenue Fund. Sewer receipts collateralize the loan.

The 2014 General Obligation TIF Bonds were issued for \$190,000 at the rate of 1.8875%. Annual payments are made from the Incentive District Debt Fund. These bonds are secured by the full faith, credit and revenue of the Village.

The Ohio Public Works Commission (OPWC) loans relate to various water and sewer projects in the Village. The West End Sewer loan began in 2009-2010. Repayment is made from the Sewer Revenue Fund in semiannual payments of \$4,258. The Water Tank Improvements loan began in 2013-2014. Repayment is made from the Water Revenue Fund in semiannual payments of 5,422. During 2017 the Village drew down \$308,082 in loan proceeds for the Water Storage Tank Replacement. This project is not yet completed. Utility revenues were pledged to secure the OPWC loans.

The Ohio Water Development Authority (OWDA) loans relate to various water and sewer projects in the Village. The Sanitary Sewer Replacement loan was entered into in 2005. Repayment is made from the Sewer Operating Fund in semiannual loan payments of \$4,293. Wastewater Treatment Plant Improvements loan is from 2002. Repayment is made from the Sewer Revenue Fund in semiannual payments of \$5,823 from the Sewer Revenue Fund. The Water Improvement loan of 1994 is paid from the Water Revenue Fund in semiannual payments of \$46,267. The OWDA North Friendship Waterline Replacement Loan is paid from the Water Revenue Fund in semiannual payments of \$4,230. During 2017 the Village accepted loan proceeds in the amount of \$39,286 for the Water System Improvements and \$117,907 for the Ground Water Storage Tank Replacement and Waterlines. Utility revenues were pledged to secure the OWDA loans.

The USDA Sewer Plan Mortgage Revenue Bonds of 2011 were issued for \$725,000 at the rate of 2.25%. Repayment is made from the required USDA WWTP Bond Retirement Fund. The bonds are secured by sewer revenues.

The General Obligation Limited Tax Bond Anticipation Notes were issued in 2016 to finance a transportation and lighting project.

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

Note 10 – Debt (Continued)

Leases

In prior years, the Village entered into a capitalized lease for a fire truck and pumper apparatus, a dump truck, an emergency squad vehicle, a police cruiser and operations pickup truck. During 2017, the Village entered into a capital lease for a Ford Braun medic and Ford police cruiser.

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

Year ending December 31:				OWDA
	Leases	Sewer Bonds	OPWC Loans	Loans
2018	153,292	38,810	19,360	121,230
2019	55,971	38,810	19,360	121,230
2020	55,971	38,810	19,360	121,230
2021	40,514	38,810	19,360	74,962
2022	40,514	38,810	19,360	28,693
2023-2027	81,028	116,429	96,800	4,293
2028-2032	0	0	53,426	0
2033-2037	0	0	42,583	0
2038-2042	0	0	21,292	0
2051-2055	0	0	0	0
Total	\$427,290	\$310,479	\$310,901	\$471,638

Year ending December 31:	General Obligation			
	USDA Loan	Bonds	Notes	TIF Bonds
2018	22,235	68,250	41,941	25,811
2019	22,301	0	0	25,811
2020	22,360	0	0	25,811
2021	22,313	0	0	25,811
2022	22,261	0	0	25,811
2023-2027	111,528	0	0	0
2028-2032	111,528	0	0	0
2033-2037	111,482	0	0	0
2038-2042	111,489	0	0	0
2043-2047	111,538	0	0	0
2048-2052	81,320	0	0	0
Total	\$750,355	\$68,250	\$41,941	\$129,055

Note 11 – Subsequent Events

On July 9, 2018, the Village approved to contract with Parnell and Associates, Inc. for a cost not to exceed \$85,000 for the completion of a street improvement project.

During 2018, the Village received \$287,175 in Ohio Public Works Commission (OPWC) loan proceeds for the Water Storage Tank Replacement project.

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

Note 11 – Subsequent Events (Continued)

Also during 2018, the Village received \$113,549 in Ohio Water Development Authority (OWDA) loan proceeds for the Ground Water Storage Tank Replacement & Waterline project and \$29,962 for the Water System Improvements project.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor 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.

Village of New Concord, Ohio
Muskingum County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$94,899	\$105,492	\$0	\$0	\$200,391
Municipal Income Tax	905,704	0	0	0	905,704
Intergovernmental	73,282	74,796	21,609	0	169,687
Charges for Services	1,120	454,610	0	0	455,730
Fines, Licenses and Permits	53,940	0	0	0	53,940
Earnings on Investments	2,206	2,586	0	0	4,792
Miscellaneous	26,896	49,088	0	3,465	79,449
<i>Total Cash Receipts</i>	<u>1,158,047</u>	<u>686,572</u>	<u>21,609</u>	<u>3,465</u>	<u>1,869,693</u>
Cash Disbursements					
Current:					
Security of Persons and Property	285,804	564,515	0	0	850,319
Leisure Time Activities	0	23,413	0	0	23,413
Transportation	0	211,403	0	0	211,403
General Government	338,531	1,815	0	0	340,346
Capital Outlay	17,026	141,952	0	106,567	265,545
Debt Service:					
Principal Retirement	17,350	80,838	82,644	0	180,832
Interest and Fiscal Charges	1,516	10,591	10,549	0	22,656
<i>Total Cash Disbursements</i>	<u>660,227</u>	<u>1,034,527</u>	<u>93,193</u>	<u>106,567</u>	<u>1,894,514</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>497,820</u>	<u>(347,955)</u>	<u>(71,584)</u>	<u>(103,102)</u>	<u>(24,821)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes	0	0	0	49,362	49,362
Transfers In	3,892	367,060	69,500	16,066	456,518
Transfers Out	(452,626)	0	0	(3,892)	(456,518)
Other Financing Uses	(3,741)	0	0	0	(3,741)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(452,475)</u>	<u>367,060</u>	<u>69,500</u>	<u>61,536</u>	<u>45,621</u>
<i>Net Change in Fund Cash Balances</i>	45,345	19,105	(2,084)	(41,566)	20,800
<i>Fund Cash Balances, January 1</i>	<u>38,963</u>	<u>227,026</u>	<u>2,084</u>	<u>45,221</u>	<u>313,294</u>
Fund Cash Balances, December 31					
Restricted	0	67,017	0	3,655	70,672
Committed	0	179,114	0	0	179,114
Assigned	84,308	0	0	0	84,308
<i>Fund Cash Balances, December 31</i>	<u>\$84,308</u>	<u>\$246,131</u>	<u>\$0</u>	<u>\$3,655</u>	<u>\$334,094</u>

See accompanying notes to the basic financial statements.

Village of New Concord, Ohio
Muskingum County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$1,125,638	\$0	\$1,125,638
Fines, Licenses and Permits	0	16,262	16,262
<i>Total Operating Cash Receipts</i>	<u>1,125,638</u>	<u>16,262</u>	<u>1,141,900</u>
Operating Cash Disbursements			
Personal Services	488,140	0	488,140
Contractual Services	222,499	15,435	237,934
Supplies and Materials	102,161	0	102,161
<i>Total Operating Cash Disbursements</i>	<u>812,800</u>	<u>15,435</u>	<u>828,235</u>
<i>Operating Income (Loss)</i>	<u>312,838</u>	<u>827</u>	<u>313,665</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	2,725	0	2,725
Capital Outlay	(26,914)	0	(26,914)
Principal Retirement	(163,717)	0	(163,717)
Interest and Other Fiscal Charges	(46,403)	0	(46,403)
Other Financing Uses	(4,074)	0	(4,074)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(238,383)</u>	<u>0</u>	<u>(238,383)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>74,455</u>	<u>827</u>	<u>75,282</u>
Transfers In	27,292	0	27,292
Transfers Out	(27,292)	0	(27,292)
<i>Net Change in Fund Cash Balances</i>	<u>74,455</u>	<u>827</u>	<u>75,282</u>
<i>Fund Cash Balances, January 1</i>	<u>223,656</u>	<u>0</u>	<u>223,656</u>
<i>Fund Cash Balances, December 31</i>	<u>\$298,111</u>	<u>\$827</u>	<u>\$298,938</u>

See accompanying notes to the basic financial statements.

VILLAGE OF NEW CONCORD
Muskingum County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of New Concord, Muskingum 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.

A publicly-elected six-member Council directs the Village provides the following services: police protection, fire protection, water, sewer, street maintenance and repair, Village court, as well as other general government services.

The Village's management believes the financial statements included in this report present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Fire and EMS Fund - The Fire and EMS Fund receives transfers from the general fund, grants, and charges for services monies to provide fire and emergency medical services for the Village.

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

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Incentive District Debt Fund - This fund was established to pay debt related to infrastructure improvements in the District. The process known as “Tax Increment Financing” allows communities to improve inadequate infrastructure in designated development areas. Revenue is received through bonds and notes issued by the Village. The debt is repaid from monies collected by the County Auditor as payments in lieu of taxes from properties in the District. The County Auditor issues these funds to the Village through the semi-annual tax settlement shown as assessments on the properties in the District. Up to 75% of new taxes on properties in the District will be collected for up to ten years to pay for the new debt to make the improvements.

Various Purpose General Obligation Bond Retirement Fund - This fund receives transfers from the General Fund to pay the required debt payments.

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

S. Friendship Improvement Fund - The improvement fund was established to enhance economic development at the I-70 Corridor into the Village.

Incentive District Fund — This fund was established to enhance economic development in the Village.

Alternative Transportation Project Fund – This improvement fund was established to pay the cost of decorative street lighting, brick crosswalks and various accessories, together with all necessary appurtenances thereto on the West entrance to the Village.

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Fiduciary Funds Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village’s agency fund accounts for activity of the Mayor’s Court. This fund receives fines and forfeitures from police department citations. These monies are divided between the Village, Muskingum County and the State, as prescribed by law.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

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

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio Rev. Code §5705.09(C), the Village failed to make debt payments from a bond retirement fund.

Contrary to Ohio Rev. Code § 5705.38(C), the Village approved appropriations at the fund level rather than at the office, department, and division level as required for a Village.

Contrary to Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriations in one fund.

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

Note 4 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,118,694	\$1,161,939	\$43,245
Special Revenue	991,044	1,053,632	62,588
Debt Service	95,500	91,109	(4,391)
Capital Projects	110,000	68,893	(41,107)
Enterprise	1,143,737	1,155,655	11,918
Total	\$3,458,975	\$3,531,228	\$72,253

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,155,735	\$1,116,594	\$39,141
Special Revenue	1,160,204	1,037,686	122,518
Debt Service	95,312	93,193	2,119
Capital Projects	111,563	110,459	1,104
Enterprise	1,273,978	1,107,049	166,929
Total	\$3,796,792	\$3,464,981	\$331,811

Note 5 – Deposits and Investments

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

	2016
Demand deposits	\$633,032

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

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

Note 6 – Taxes (Continued)

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Local Income Taxes

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

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

Note 6 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Retirement System

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

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

Note 7 - Defined Benefit Pension Plans (Continued)

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Social Security

Certain Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2011 Sewer Bonds	\$288,553	4.125%
2004 Various Purpose General Obligation Bonds	130,000	4.5%
2008 Sludge Press	30,327	5.25%
2014 TIF Bonds	145,130	1.8875%
2012 OPWC Loan	130,120	0%
2010 OPWC Loan	200,141	0%
OWDA Water Improvement Loan	356,589	5.85%
OWDA Wastewater Improvement Loan	75,696	0%
OWDA East Side Sanitary Sewer Loan	85,383	1%
OWDA Waterline Replacement Loan	45,503	3.45%
USDA Wastewater Treatment Plant Loan	528,420	2.25%
Trans/Lighting Project Note	49,362	2.50%
Total	<u>\$2,065,224</u>	

On March 15, 2016 the Village issued \$49,362 of Bond Anticipation Note debt for the Transportation/Lighting Project Fund. The note has a two year term with an interest rate of 2.5%.

The 2011 Sewer Bonds were a refinanced debt of 2011 in the amount of \$408,000. Repayment is made to the Community Bank in semiannual payments of \$19,405 from the Sewer Revenue Fund. Sewer receipts collateralize the loan.

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

Note 9 – Debt (Continued)

The 2004 Various Purpose General Obligation Bonds were issued for \$725,000 at 4.5% interest. Repayment is made to Huntington National Bank in semiannual payments from the General Fund. In 2017, these payments totaled \$71,500. These bonds are secured by the full faith, credit and revenue of the Village.

The 2008 Sludge Press obligation was issued for \$125,000 at the interest rate of 5.25%. Annual payments of \$16,456 are made to Huntington National Bank from the Sewer Revenue Fund. Sewer receipts collateralize the loan.

The 2014 General Obligation TIF Bonds were issued for \$190,000 at the rate of 1.8875%. Annual payments are made from the Incentive District Debt Fund. These bonds are secured by the full faith, credit and revenue of the Village.

The Ohio Public Works Commission (OPWC) loans relate to various water and sewer projects in the Village. The West End Sewer loan began in 2009-2010. Repayment is made from the Sewer Revenue Fund in semiannual payments of \$4,258. The Water Tank Improvements loan began in 2013-2014. Repayment is made from the Water Revenue Fund in semiannual payments of 5,422. Utility revenues were pledged to secure the OPWC loans.

The Ohio Water Development Authority (OWDA) loans relate to various water and sewer projects in the Village. The Sanitary Sewer Replacement loan was entered into in 2005. Repayment is made from the Sewer Operating Fund in semiannual loan payments of \$4,293. Wastewater Treatment Plant Improvements loan is from 2002. Repayment is made from the Sewer Revenue Fund in semiannual payments of \$5,823 from the Sewer Revenue Fund. The Water Improvement loan of 1994 is paid from the Water Revenue Fund in semiannual payments of \$46,267. The OWDA North Friendship Waterline Replacement Loan is paid from the Water Revenue Fund in semiannual payments of \$4,230. Utility revenues were pledged to secure the OWDA loans.

The USDA Sewer Plan Mortgage Revenue Bonds of 2011 were issued for \$725,000 at the rate of 2.25%. Repayment is made from the required USDA WWTP Bond Retirement Fund. The bonds are secured by sewer revenues.

Leases

In prior years, the Village entered into a capitalized lease for a fire truck and pumper apparatus, a dump truck, an emergency squad vehicle, police cruiser and operations pickup truck.

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

Note 9 – Debt (Continued)

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

Year ending December 31:				OWDA
	Leases	Sewer Bonds	OPWC Loans	Loans
2017	103,979	38,810	19,360	121,230
2018	102,650	38,810	19,360	121,230
2019	5,329	38,810	19,360	121,230
2020	5,329	38,810	19,360	121,230
2021	0	38,810	19,360	74,962
2022-2026	0	155,239	96,800	68,862
2027-2031	0	0	64,270	4,293
2032-2036	0	0	42,583	0
2037-2041	0	0	29,808	0
Total	\$217,287	\$349,289	\$330,261	\$633,037

Year ending December 31:	General Obligation			
	USDA Loan	Bonds	Notes	TIF Bonds
2017	22,189	71,500	42,079	25,811
2018	22,235	68,250	41,943	25,811
2019	22,301	0	0	25,811
2020	22,360	0	0	25,811
2021	22,313	0	0	25,811
2022-2026	111,474	0	0	25,811
2027-2031	111,533	0	0	0
2032-2036	111,463	0	0	0
2037-2041	111,570	0	0	0
2042-2046	111,437	0	0	0
2047-2051	103,669	0	0	0
Total	\$772,544	\$139,750	\$84,022	\$154,866

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor 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 11 – Subsequent Events

During 2017, the Village received \$308,082 in Ohio Public Works Commission (OPWC) loan proceeds for the Water Storage Tank Replacement.

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

Note 11 – Subsequent Events (Continued)

During 2017, the Village received Ohio Water Development Authority (OWDA) loan proceeds in the amount of \$39,286 for the Water System Improvements and \$117,907 for the Ground Water Storage Tank Replacement and Waterlines.



Dave Yost • Auditor of State

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

Village of New Concord
Muskingum County
2 West Main Street
P.O. Box 10
New Concord, Ohio 43762

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of New Concord, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated October 22, 2018 wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2017-001 through 2017-003 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-004 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2017-003 through 2017-005.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

October 22, 2018

**VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness

The Village requires taxpayers to file an income tax return annually. Village Ordinance I-12-15-1, effective January 1, 2016, requires that “an annual return with respect to the income tax levied on Municipal Taxable Income by the Municipality shall be completed and filed by every taxpayer for any taxable year for which the taxpayer is subject to the tax, regardless of whether or not income tax is due.”

The Village failed to have procedures in place to ensure that returns were filed by all taxpayers required to file a tax return in 2016 and 2017. For two out of three residents tested during 2016 and 2017, no tax return was filed for either year. As no procedures were in place to follow up with taxpayers who did not file, there is an increased risk that the Village did not receive all income tax due to them.

Furthermore, during review of internal controls it was determined that the Village lacks controls related to the segregation of duties regarding the collection and posting of income tax revenue.

The Village should implement procedures to ensure that all taxpayers are filing tax returns. Correspondence should be sent to taxpayers who have not filed by the filing deadline. Additionally, the Village should include additional procedures related to the collection and posting of income tax revenue such as segregating the duties of collecting and posting revenue. This will help ensure the completeness of income tax receipts along with ensuring that all amounts due are properly reflected and received.

FINDING NUMBER 2017-002

Material Weakness

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

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by Council, which could not be changed without Council approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 designates Unassigned fund balance as the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In addition, Auditor of State Bulletin 2011-004 requires local governments which prepare cash basis financial statements to implement these fund balance classifications and governmental fund type definitions.

**VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-002 (Continued)

Material Weakness (Continued)

During 2016, the Village failed to implement GASB Statement No. 54 requirements. This resulted in reclassifications being made to report the Village's fund balances in accordance with the aforementioned requirements. During 2017, GASB Statement No. 54 was implemented. However, the following inaccurate reporting of fund balance was noted prior to the effect of any audit adjustments:

- The General Fund's year end cash balance was utilized to cover the deficiency of subsequent year appropriations exceeding estimated revenue at the end of 2017 in the amount of \$34,554. However, this amount was reported as Unassigned rather than Assigned.
- The Fire and EMS Fund's source of revenue was derived from revenue generated from charges for service provided to cover the costs of providing emergency services. As the revenue has no external constraints, the fund balances should be reported as Committed as the purpose is imposed by Village Council. Additionally, the Celebrate New Concord Fund's source of revenue is derived from donations that are implied by the donor to be used for the Celebrate New Concord summer concert series. Therefore, the fund balance should be reported as Committed. However, the Village reported Restricted amounts related to these funds totaling \$83,583 in the Special Revenue Funds rather than Committed.

In addition, as a result of audit procedures performed, errors were noted in the Village's financial statements that required audit adjustments and reclassifications as follows:

- For 2016, the Village directly reported \$16,262 in Mayor's Court revenue within the General Fund instead of presenting the activity within the Mayor's Court Agency Fund. In addition to the understatement of activity in the Agency Fund, \$15,435 required to be remitted to the State of Ohio and Muskingum County for their portions of court fines collected by the Village were reported in the General Fund instead of the Mayor's Court Agency Fund;
- In 2017, the Village improperly reported the Water System Improvement Fund as a Capital Projects Fund instead of an Enterprise Fund.
 - \$25,000 in Advances-In and Advances-Out were reported in the Capital Projects Fund.
 - \$66,437 in Capital Outlay expenditures were reported in the Capital Projects Fund.
 - \$66,449 in Debt proceeds were improperly reported as Other Financing Sources in the Capital Projects Fund.
 - \$398,826 in on-behalf debt proceeds and related disbursements were not posted by the Village.

In addition, other misstatements related to mispostings of assets, revenues, expenditures/expenses, and fund balances ranging from \$86 to \$25,379 were identified during 2017 and 2016.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provider to the readers of the financial statements is complete and accurate. The financial statements and accounting system have been adjusted accordingly.

**VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-002 (Continued)

Material Weakness (Continued)

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures to identify and correct errors and omissions. In addition, the Village should review the financial statements and notes prior to submission for audit.

FINDING NUMBER 2017-003

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.09(C) requires that each subdivision shall establish a bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness.

The 2004 Various Purpose General Obligation Bonds were issued for various purposes. General Obligation Limited Tax Bond Anticipation Notes were issued in 2016 for the Transportation / Lighting project. These obligations were serial bonds or notes requiring the establishment of a bond retirement fund; however, the Village failed to establish the required fund and made the required debt payments from the General Fund. For 2017, these payments totaled \$71,500 for the Various Purpose General Obligation Bonds and \$25,623 for the General Obligation Limited Tax Bond Anticipation Note. For 2016, payments of \$69,500 were made for the Various Purpose General Obligation Bond.

The Village should establish a bond retirement fund for each required debt obligation and make all required debt payment from such funds. The financial statements of the Village have been adjusted to present debt payments from the required bond retirement funds.

The Village should ensure that bond retirement funds are established for the repayment of all serial bonds, notes, or certificates of indebtedness. By taking such steps, the Village will ensure that the required revenues have been set aside for debt payments.

FINDING NUMBER 2017-004

Noncompliance and Significant Deficiency

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

Additionally, Ohio Admin. Code § 117-2-02(C)(1) required all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system in order to effectively maintain the accounting and budgetary records. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations. The Village utilized a financial accounting system which was capable of integrating budgetary and actual financial information at a level lower than the legal level of budgetary control.

**VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-004 (Continued)

Noncompliance and Significant Deficiency (Continued)

For Fund D6 - LGIF Project, 2016 appropriations were reflected in the system at an amount which was \$3,892 in excess over approved amounts. As a result, actual expenditures exceeded appropriated amounts by \$3,658 in the same fund.

At December 31, 2017 expenditures exceeded appropriations in the amount of \$390,263 in the Water System Improvement Fund as a result of not budgeting on-behalf expenditures.

Inaccurately posted budgetary information could lead to errors in reporting budget versus actual information in the notes to the financial statements. Additionally, utilizing inaccurate budgetary reports throughout the year increases the possibility that management will make financial decisions based off of inaccurate information.

Only Council approved appropriations should be posted into the financial system, and these amounts should equal Council approved appropriations as documented in the minutes. Additionally, the Village should ensure that appropriations are made for expenditures made on behalf of the Village by other entities. This will help provide accurate budget versus actual comparisons, allow management and the Council to make informed financial decisions, and prevent expenditures from exceeding budgeted amounts.

FINDING NUMBER 2017-005

Noncompliance

Ohio Rev. Code § 5705.38(C) requires the following minimum level of budgetary control for subdivisions other than schools: Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

For 2017 and 2016, the Village appropriated at the fund level for all funds failing to meet the minimum legal level of control required by this Rev. Code Section.

To ensure compliance and to increase internal controls over disbursements, the Village should appropriate for all funds at the object level.

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

Village of New Concord

2 West Main Street
 Post Office Box 10
 New Concord, Ohio 43762-0010
 (740) 826-7671 * Fax (740) 826-7617
 www.newconcord-oh.gov

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Unauthorized adjustments posted by former Utility Clerk.	Fully Corrected.	The Village received full restitution from former Utility Clerk for the unauthorized adjustments.
2015-002	Ohio Rev Code 5705.41D – Lack of prior certification.	Partially Corrected.	The Village will carryover all encumbrances at year end. The implementation of UAN in FY 2018 will ensure proper certification will be issued for all purchases.
2015-003	Variances existed between certification of estimated resources & amounts posted to the accounting system.	Partially Corrected.	The implementation of UAN in FY 2018 will correct this issue.
2015-004	Ohio Rev Code 5705.41B – Expenditures plus outstanding commitments exceeded appropriations.	Not Corrected.	Debt service retired. However, noted for additional funds in 2016/2017.
2015-005	GASB 54 not implemented by the Village.	Not Corrected.	The Village of New Concord utilized Governmental System Budgetary Software Program to track & control all revenues & expenditures throughout the year. The software did not define or allow for proper account classification.

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Dave Yost • Auditor of State

VILLAGE OF NEW CONCORD

MUSKINGUM 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
NOVEMBER 8, 2018