

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

Village Council
Village of Newcomerstown
P.O. Box 151
Newcomerstown, Ohio 43832

We have reviewed the *Independent Accountants' Report* of the Village of Newcomerstown, Tuscarawas County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2005 through December 31, 2005. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 28, 2006

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VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY

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KNOX & KNOX

Accountants and Consultants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Newcomerstown
Tuscarawas County
124 West Church Street
Newcomerstown, Ohio 443832-0151

To the Village Council:

We have audited the accompanying financial statements of the Village of Newcomerstown, Tuscarawas County, Ohio, (the Village) as of and for the year ended December 31, 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005. While the Village does not follow GAAP, auditing standards generally accepted in the United States of America require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure the financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Village of Newcomerstown as of December 31, 2005, and its combined cash receipts and disbursements and reserves for encumbrances for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to accounting principles generally accepted in the United States of America also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

KNOX & KNOX

Orrville, Ohio,
June 23, 2006

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY
FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$906,305	\$415,238	\$537		\$1,322,080
Intergovernmental	179,447	253,081	10,000		442,528
Charges for Services	557	51,230	3,065	\$2,772	57,624
Fines, Licenses, and Permits	21,743	1,616			23,359
Earnings on Investments	47,898	1,572			49,470
Miscellaneous	<u>3,891</u>	<u>5,272</u>	<u>669</u>	<u>2,309</u>	<u>12,141</u>
Total Cash Receipts	<u>1,159,841</u>	<u>728,009</u>	<u>14,271</u>	<u>5,081</u>	<u>1,907,202</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	571,598	37,165			608,763
Public Health Services	2,007	98,341			100,348
Leisure Time Activities		47,226			47,226
Basic Utility	4,851				4,851
Transportation	15,574	393,710			409,284
General Government	300,409				300,409
Debt Service	16,117				16,117
Capital Outlay	<u>63,506</u>	<u>17,554</u>	<u>17,901</u>	<u>9,102</u>	<u>108,063</u>
Total Cash Disbursements	<u>974,062</u>	<u>593,996</u>	<u>17,901</u>	<u>9,102</u>	<u>1,595,061</u>
Total Receipts Over/(Under) Disbursements	<u>185,779</u>	<u>134,013</u>	<u>(3,630)</u>	<u>(4,021)</u>	<u>312,141</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		120,500	1,500		122,000
Transfers-Out	(122,000)				(122,000)
Other Financing Sources	<u>6,037</u>				<u>6,037</u>
Total Other Financing Receipts/ (Disbursements)	<u>(115,963)</u>	<u>120,500</u>	<u>1,500</u>		<u>6,037</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements					
	69,816	254,513	(2,130)	(4,021)	318,178
Fund Cash Balances, January 1	<u>168,691</u>	<u>711,282</u>	<u>23,650</u>	<u>50,741</u>	<u>954,364</u>
Fund Cash Balances, December 31	<u>\$238,507</u>	<u>\$965,795</u>	<u>\$21,520</u>	<u>\$46,720</u>	<u>\$1,272,542</u>
Reserves for Encumbrances, December 31	<u>\$1,260</u>	<u>\$18,088</u>			<u>\$19,348</u>

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

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ENTERPRISE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>2,005</u>
Operating Cash Receipts:	
Charges for Services	\$1,000,207
Miscellaneous	<u>80</u>
Total Operating Cash Receipts	<u>1,000,287</u>
Operating Cash Disbursements:	
Personal Services	477,840
Travel Transportation	305
Contractual Services	203,448
Supplies and Materials	166,999
Capital Outlay	<u>749,021</u>
Total Operating Cash Disbursements	<u>1,597,613</u>
Operating income/(Loss)	<u>(597,326)</u>
Non-Operating Cash Receipts	
Other Sources	719,353
Local Taxes	<u>399,230</u>
Total Non-Operating Cash Receipts	<u>1,118,583</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>389,847</u>
Net Receipts Over Disbursements	131,410
Fund Cash Balances, January 1	<u>1,180,488</u>
Fund Cash Balances, December 31	<u><u>\$1,311,898</u></u>
Reserves for Encumbrances, December 31	<u><u>\$18,088</u></u>

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

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**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Newcomerstown, Tuscarawas County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), maintenance of Village roads and the Village cemetery, and fire and police protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (ie. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Village maintains all cash in an interest bearing checking account, and certificates of deposit which are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund - The General Fund is the general operating fund. It is used for all financial resources except those required to be accounted for in another fund.
2. Special Revenue Funds - These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Street Levy Fund - This fund is used to account for proceeds from a special street levy for street improvements.

Cemetery Fund - This fund is used to account for charges for services for the sale of cemetery lots, interments, and foundations.

Park Fund - This fund is used to account for charges for services for the operation and maintenance of the Village swimming pool and park.

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

Police Pension Trust Fund - This fund is used to account for police pension contributions which are subsequently remitted to the Ohio Police and Fire Pension Fund.

3. Capital Projects Funds - These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant Capital Project Fund:

Cy Young Park Improvement Fund - This fund is used to account for funds received for the park.

4. Fiduciary Fund (Trust) - Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant Fiduciary Fund:

Cemetery Expendable Trust Fund - This fund is used to account for a bequest to the Village for maintenance of a family grave site.

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

Water Fund - This fund is used to account for charges for services to cover the cost of providing this utility.

Sewer Fund - This fund is used to account for charges for services to cover the cost of providing this utility.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations - Budgetary expenditures (disbursements and encumbrances) may not exceed appropriations at the fund, function or major object level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.
2. Estimated Resources - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process (continued)

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

A summary of 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

F. Accumulated Leave

Employees are entitled to cash payments for unused leave in certain circumstances, such as leaving employment. Unpaid leave is not reflected as a liability under the basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2005 was as follows:

	<u>2005</u>
Demand deposits	\$ 445,075
Certificates of deposit	2,138,775
Cash on hand	<u>590</u>
Total Deposits	<u><u>\$2,584,440</u></u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2005 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,131,650	\$1,165,878	\$34,228
Special Revenue	831,000	848,509	17,509
Capital Projects	16,400	15,771	(629)
Expendable Trust	3,600	5,081	1,481
Enterprise	<u>2,300,000</u>	<u>2,118,870</u>	<u>(181,130)</u>
Total	<u><u>\$4,282,650</u></u>	<u><u>\$4,154,109</u></u>	<u><u>(\$128,541)</u></u>

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

3. BUDGETARY ACTIVITY (continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,326,050	\$1,097,322	\$228,728
Special Revenue	1,527,382	612,084	915,298
Capital Projects	40,025	17,901	22,124
Expendable Trust	53,525	9,102	44,423
Enterprise	<u>2,270,825</u>	<u>2,005,548</u>	<u>265,277</u>
 Total	 <u>\$5,217,807</u>	 <u>\$3,741,957</u>	 <u>\$1,475,850</u>

4. PROPERTY TAX

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

Tangible personal property tax is assessed to property owners who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of two 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 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 individuals taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

6. DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan No. 3529	\$1,036,229	2.00%
Ohio Water Development Authority Loan No. 2829	1,047,741	2.00%
Ohio Water Development Authority Loan No. 3978	2,880,884	1.00%
Ohio Public Works Commission (2)	<u>291,774</u>	-0-
Total	<u>\$5,256,628</u>	

OWDA loans No. 2829 and No. 3529 relate to the construction of the Water Treatment Plant. These loans will be repaid in annual installments over 25 years. OWDA loan (No. 3978) is related to improvement cost of the Water Treatment Plant and will be repaid in semiannual installments over 20 years. Two loans from the Ohio Public Works Commission are for street improvements to be repaid in semi-annual installments of \$3,891 and \$6,113 over 16 and 15 years respectively.

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

<u>Year ending December 31:</u>	<u>OWDA</u>	<u>OPWC</u>
2006	\$ 300,658	\$ 20,007
2007	300,658	20,007
2008	300,658	20,007
2009	300,658	20,007
2010	300,658	20,007
Subsequent	<u>4,194,889</u>	<u>191,739</u>
Total	<u>\$5,698,179</u>	<u>\$ 291,774</u>

7. RISK MANAGEMENT

The Village has commercial insurance for the following risks:

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

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

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

8. JOINTLY GOVERNED ORGANIZATIONS

- A. 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' 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, recommendation and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county.

- B. 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 22 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 written recommendations 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 interest exists.

9. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2005. The Village has paid all contributions required through December 31, 2005.

10. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

KNOX & KNOX

Accountants and Consultants

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

Village of Newcomerstown
Tuscarawas County
124 West Church Street
Newcomerstown, Ohio 43832-0151

To the Village Council:

We have audited the financial statements of the Village of Newcomerstown, Tuscarawas County, Ohio (the Council), as of and for the year ended December 31, 2005, and have issued our report thereon dated June 23, 2006 wherein we noted that the Village prepared its financial statements using accounting practices prescribed by the Auditor of State rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

A part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted several matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village, in a separate letter dated June 23, 2006.

Village of Newcomerstown
Tuscarawas County
Report of Independent Accountants on Compliance and Internal
Control Required by *Government Auditing Standards*.
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This report is intended for the information and use of the audit committee, management, and the Village Council, and should not be used by anyone other than these specified parties.

KNOX & KNOX

Orrville, Ohio
June 23, 2006



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

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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
DECEMBER 12, 2006**