

***VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Village Council
Village of Newcomerstown
124 W. Church Street
Newcomerstown, Ohio 43832-1108

We have reviewed the *Report of Independent Accountants* of the Village of Newcomerstown, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2009. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery Repaid Under Audit

The Village of Newcomerstown Personnel Policy Manual For All Employees, Adopted December 1999, states that paid time off includes the following:

- a. Holidays per Section 5.1;
- b. Vacation per Section 5.2;
- c. Jury Duty (Civil Leave) per Section 5.4;
- d. Funeral Leave per Section 5.6;
- e. Family & Medical Leave per Section 5.7;
- f. Inclement Weather per Section 5.8; and
- g. Military Leave per Section 5.9.

Section 9 of the Personnel Policy Manual includes the “Village of Newcomerstown Employee Request For Leave” Form #6 for Village employees to request Paid Sick Time, Paid Vacation, Other Paid Time and Leave Without Pay.

Per Section 5.2 “Vacation requests are granted on the basis of seniority. The decision to grant or deny a vacation request shall be made by the department head and is subject to staffing levels and work load requirements. Vacation leave may be taken in units of one (1) hour, subject to the department head’s approval.”

Per section 5.3 “All employees seeking to utilize paid sick leave shall be required to complete a Request for Leave Form immediately upon return to work from an absence (see Form#6 in the personnel forms section of this manual).”

Summarized below are our findings (no approved “Request for Leave Form #6” completed):

Calendar year 2008	Paid 8 hours for time not worked, but not charged to paid leave
Calendar year 2009	Paid 66 hours for time not worked, but not charged to paid leave 8 hours of pay for inclement weather but not charged to vacation
Calendar year 2010	Paid 8 hours for time not worked, but not charged to paid leave
Rate paid at termination was \$13.94	
Overpaid at termination for	2008 Salary \$ 112.00 (rounded)
	2009 Salary \$ 1,032.00 (rounded)
	2010 Salary \$ 112.00 (rounded)
Total	<u>\$ 1,256.00</u>

As the former Income Tax Administrator, Kim Lyons was paid for days not worked that were not charged against her accrued vacation or other paid leave. There are no approved leave slips to support her time off from work, and she received her salary for those days. Also, during 2009, Ms. Lyons was paid for 8 hours on a day that fell under the “Inclement Weather” section of the aforementioned Personnel Policy Manual. Section 5.8 states that, “Scheduled employees who are able to come into work on such inclement days shall be paid their regular wage for actual time worked. Those employees who are not able to come into work due to inclement weather shall have the option of receiving an excused day off without pay or using time deducted from vacation hours. Affected employees shall notify the department head in writing as to which option they wish to exercise.” She did not come into work, but was paid for the day without a corresponding deduction from her vacation hours.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Kim Lyons, former Income Tax Administrator and CNA Surety, her bonding company, jointly and severally, in the amount of \$1,256 and in favor of the Village’s General Fund.

On December 1, 2010, the Village deposited \$1,256 into their general checking account from personal check #5856, dated November 23, 2010 prepared by Ms. Lyons.

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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 2, 2010

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**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY
For Years Ending December 31, 2009**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Newcomerstown
Tuscarawas County
124 W. Church St.
Newcomerstown, Ohio 43832-1108

To Village Council:

We have audited the accompanying financial statements of the Village of Newcomerstown, Tuscarawas County (the Village), as of and for the year ended December 31, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*. 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, 2009. Instead of the combined funds the accompanying financial statements present for 2009, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009. While the Village does not follow GAAP, generally accepted auditing standards requires 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 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, 2009, 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, 2009, or its changes in financial position or cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2009, and its cash receipts and disbursements and changes in fund cash balances for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2009. 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 October 11, 2010, 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 do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls 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.

Charles E. Harris & Associates, Inc.

October 11, 2010

VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Other Local Taxes	\$ 112,037	\$ 14,757	\$ -	\$ 126,794
Municipal Income Taxes	679,137	344,568	10,000	1,033,705
Intergovernmental	886,755	145,670	19,419	1,051,844
Charges for Services	559	41,464	-	42,023
Fines, Licenses and Permits	12,680	41,130	2,093	55,903
Interest	75,993	1,359	-	77,352
Other	7,564	66,005	675	74,244
Total Receipts	1,774,725	654,953	32,187	2,461,865
Disbursements:				
Security of Persons & Property	709,049	57,982	-	767,031
Public Health Services	615,842	132,004	-	747,846
Leisure Time Activities	-	58,529	-	58,529
Basic Utility Services	6,290	-	-	6,290
Transportation	10,125	553,974	-	564,099
General Government	452,927	-	-	452,927
Capital Outlay	-	-	36,762	36,762
Debt Service:				
Principal Reduction	-	20,007	-	20,007
Total Disbursements	1,794,233	822,496	36,762	2,653,491
Receipts over(under) disbursements	(19,508)	(167,543)	(4,575)	(191,626)
Other Financing Sources(Uses)				
Transfers in	-	157,700	-	157,700
Transfers out	(157,700)	-	-	(157,700)
Total Other Financing Sources(Uses)	(157,700)	157,700	-	-
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	(177,208)	(9,843)	(4,575)	(191,626)
Fund Balance 1/1/2009	148,954	682,123	6,802	837,879
Fund Balance 12/31/2009	\$ (28,254)	\$ 672,280	\$ 2,227	\$ 646,253
Reserve for Encumbrances, 12/31/2009	\$ 2,400	\$ -	\$ -	\$ 2,400

See accompanying Notes to the Financial Statements.

VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 719,302
Total Operating Cash Receipts	719,302
Operating Cash Disbursements:	
Personal Services	548,363
Contractual Services	228,040
Supplies and Materials	73,443
Capital Outlay	17,410
Miscellaneous	493
Total Operating Cash Disbursements	867,749
Operating Income (Loss)	(148,447)
Non-Operating Cash Receipts/(Disbursements)	
Municipal Income Taxes	438,795
Other	41,341
Debt Service:	
Principal Payment	(298,436)
Interest and Other Fiscal Charges	(70,608)
Total Non-Operating Cash Receipts/(Disbursements)	111,092
Net Receipts (Under) Disbursements	(37,355)
Fund Cash Balances, January 1, 2009	1,369,811
Fund Cash Balances, December 31, 2009	\$ 1,332,456
Reserve for Encumbrances, 12/31/2009	\$ 1,577

See accompanying Notes to the Financial Statements.

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Newcomerstown, (the Village) is a body corporate and politic established for the purpose of exercising 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, police services and fire services and park services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

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 disbursement basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.)

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

C. CASH AND INVESTMENTS

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING – (continued)

Special Revenue Funds: To account for the proceeds of specific revenue sources (other than trusts or capital projects) that are legally restricted to disbursements for specified 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 receives income taxes and utilizes these funds to maintain and repair Village streets.

Cemetery Fund – This fund is used to account for charges 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.

Police Pension Fund – this fund is used to account for police pension contributions which are ultimately remitted to the Ohio Police and Fire Pension Fund.

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 or trust funds). The Village had the following significant Capital Projects fund:

Other Capital Projects Fund – This fund receives income taxes and utilizes these funds to construct capital projects.

Proprietary Fund Types:

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

Water Fund – This fund receives charges for services from residents to cover the costs of providing this utility.

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

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING – (continued)

Ohio Water Development Authority Fund – This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

E. BUDGETARY PROCESS

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk/Treasurer sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Clerk/Treasurer. The amounts reported in Note 5 reflect the amounts in the final amended certificates issued during 2009.

Budget receipts, as shown in Note 5, do not include the unencumbered fund balances as of January 1, 2009. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The legal level of budgetary control is at the fund, function and object level in all funds. Any budgetary modifications at this level may only be made by ordinance of the Village Council.

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS – (continued)

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Unencumbered appropriations lapse at year-end.

Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated. In Note 5, encumbrances are added to budgetary expenditures and compared to current year appropriations plus prior year carry-over appropriations.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

Petty Cash	\$ 715
Demand Deposits	331,568
Certificates of Deposits	<u>1,646,426</u>
Total	<u>\$ 1,978,709</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2009**

3. PROPERTY TAXES

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tangible personal property tax has been phased out through 2009.

The Tuscarawas County Treasurer collects property tax on behalf of all taxing Villages within the county. The Tuscarawas County Auditor periodically remits to the taxing Villages their portions of the taxes collected.

4. LOCAL INCOME TAX

The Village levies a municipal income tax of two (2) percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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.

5. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2009 follows:

2009 Budgeted Versus Actual Receipts			
Fund Types	Budgeted Receipts	Actual Receipts	Variance
General	\$1,772,100	\$1,774,725	\$ 2,625
Special Revenue	802,775	812,653	9,878
Capital Projects	33,689	32,187	(1,502)
Enterprise	1,282,800	1,199,438	(83,362)

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2009**

5. BUDGETARY ACTIVITY – (Continued)

2009 Budgeted Versus Actual Budgetary Expenditures

Fund Types	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,920,509	\$1,954,333	\$ (33,824)
Special Revenue	1,483,650	822,496	661,154
Capital Projects	40,464	36,762	3,702
Enterprise	2,649,800	1,238,370	1,411,430

6. DEBT

Debt outstanding at December 31, 2009 was as follows:

	Balance December 31, 2009
OPWC	\$ 262,250
OWDA	4,847,196
Total	\$ 5,109,446

The Ohio Water Development Authority (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 improvements made to the Water Treatment Plant and will be repaid in semi-annual payments over 20 years. OWDA Loan No. 4671 relates to a pump station.

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

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2009 are as follows:

Year ending December 31	OWDA Principal	OWDA Interest	OPWC Principal
2010	\$ 149,512	\$ 32,205	\$ 22,257
2011	301,739	61,688	22,257
2012	305,805	57,612	22,257
2013	309,935	53,472	22,257
2014	314,124	49,269	22,257
2015-2019	1,635,746	181,040	111,285
2020-2024	1,554,524	62,694	39,680
2025-2028	275,815	6,522	-0-
Total	\$4,847,196	\$504,502	\$262,250

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2009**

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.

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

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

8. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

Contributions rates are prescribed by the Ohio Revised Code. During 2009, the Village's OPERS members contributed 10 % of their gross salaries. The Village contributed an amount equal to 14% for 2009 of participant's gross salaries. The Village has paid all contributions required through December 31, 2009.

9. INTERFUND TRANSFERS

During 2009 the Village made the following transfers:

Fund	Transfers In	Transfers Out
General Fund	\$ -0-	\$ 157,700
Special Revenue Funds:		
Cemetery Fund	97,100	-0-
Police Pension Fund	18,000	-0-
Park Fund	42,600	-0-
Total	\$ 157,700	\$ 157,700

The transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2009**

10. 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 County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county.
- 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 a written recommendation to the legislative authority which approved the agreement. There is no cost associated with being a member of the Council. The continued existence of the Council is not dependent upon the Village's continued participation and no measurable equity interests exist.

11. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

12. BUDGETARY NONCOMPLIANCE

The Village had the following citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41(B)**, the Village had expenditures that exceeded appropriations.
- Contrary to **Ohio Rev. Code Section 5705.10**, the Township had negative fund balances in the General Fund, Police Pension, Cemetery and Capital Improvement funds.
- Contrary to **Ohio Rev. Code Section 5705.36**, the Village had actual receipts below estimated receipts causing a deficiency of estimated receipts below the level of appropriations.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Village of Newcomerstown
Tuscarawas County
124 W. Church St.
Newcomerstown, Ohio 43832-1108

To the Board of Trustees:

We have audited the financial statements of the Village of Newcomerstown, Tuscarawas County, Ohio (Village) as of and for the year ended December 31, 2009, and have issued our report thereon dated October 11, 2010, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State of Ohio. 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-VNTC-004, described in the accompanying schedule of findings, to be a material weakness.

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed several instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2009-VNTC-001, 2009-VNTC-002, 2009-VNTC-003 and 2009-VNTC-005.

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

We noted certain matters that we have reported to management of the Village in a separate letter dated October 11, 2010.

We intend this report solely for the information and use of management, the audit committee, the Village Council and others within the Village. We intend it for no one other than these specified parties.

Charles E. Harris & Associates, Inc.

October 11, 2010

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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**FINDING NUMBER 2009-VNTC-001
Noncompliance Citation**

Ohio Revised Code § 117.38 states, in part, that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. In addition, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not submit its annual report for 2009 within 60 days of year end as required by the Ohio Revised Code. Pursuant to Ohio Rev. Code Section 117.38, the Village may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The Fiscal Officer will review the requirements for submitting the annual report to the Auditor of State.

**FINDING NUMBER 2009-VNTC-002
Noncompliance Citation**

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

We noted the following funds had expenditures plus encumbrances that exceeded appropriations at December 31, 2009:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
General Fund	\$ 1,920,509	\$ 1,954,333	\$ (33,824)

The Fiscal Officer will review budgetary requirements and implement as necessary.

**FINDING NUMBER 2009-VNTC-003
Noncompliance Citation**

Ohio Revised Code Section 5705.10 prohibits the Village from having negative fund balances. The General, Police Pension, Cemetery and Capital Improvement funds were found to have a negative cash fund balances at December 31, 2009.

The Fiscal Officer will review various options to eliminate negative cash fund balances.

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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**FINDING NUMBER 2009-VNTC-004
Material Weakness**

The Village terminated the Income Tax Administrator in February 2010. The Village reviewed the Income Tax Administrator’s leave balances and found that she was paid for days off from work and she did not reduce her vacation balances for said days. The Village ultimately discovered and terminated this employee. However the Village paid the employee’s leave balances after her termination. The Village did not adjust her leave balances before paying her.

The Village correctly determined that the former employee had abused her leave balances, however the Village did not pursue correcting her leave balances. We recommend that the Village review leave balances periodically. We also recommend that upon determining that the Village has incorrectly paid a former employee that the Village immediately pursue collection of said amounts.

We have requested that the Auditor of State issue a finding for recovery against the former employee in favor of the Village’s General Fund.

The Village will review leave balances of terminated employees and adjust as deemed necessary before paying leave balances.

**FINDING NUMBER 2009-VNTC-005
Noncompliance Citation**

Ohio Revised Code Section 5705.36 allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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**FINDING NUMBER 2009-VNTC-005
(Continued)**

The following funds had actual revenues and beginning unencumbered balances that were less than appropriations:

2009	Variance
Capital Projects Funds	
Capital Improvements	\$ (1,025)
Cy Young Park	(477)
Enterprise Funds	
Water Operating	(39,015)
Sewer Operating	(26,392)
Sewer R & I	(25,730)

By not amending its certificate of estimated resources, the Village cannot make reasonable decisions regarding the monies it has available for appropriation and expenditure. The Village Council should monitor its budgeted revenues versus its actual revenues throughout the year and amend its certificate of estimated resources accordingly.

The Fiscal Officer will review budgetary requirements and implement as necessary.

VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-VNTC-001	Village incorrectly reported debt service payments on its annual report.	Yes	No longer valid.
2008-VNTC-002	Contrary to Ohio Rev. Code Section 5705.36, the Village did not request a reduced amended certificate of estimated resources.	No	Repeated as finding # 2009-VNTC-005.

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Mary Taylor, CPA
Auditor of State

VILLAGE OF NEWCOMERSTOWN

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 21, 2010**