



Dave Yost • Auditor of State

VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY

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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, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative 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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative 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 Revised Code § 117.38 and Ohio Administrative 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, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Basis of Additional Opinion Qualification

Charges for services receipts are reported at \$1,063,238 and \$1,009,414 for the years ended December 31, 2015 and 2014, respectively, which is 100 percent of total Enterprise Fund operating receipts for the years ended December 31, 2015 and 2014. We were unable to obtain sufficient appropriate audit evidence supporting the occurrence and existence of transactions recorded as charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Enterprise Funds of the Village of New Concord, Muskingum County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the General, Special Revenue, Capital Projects, Debt Service and Agency Funds of the Village of New Concord, Muskingum County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative 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 February 15, 2017, 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.

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

February 15, 2017

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**VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$917,325	\$80,130	\$0	\$0	\$997,455
Intergovernmental	57,949	83,328	5,578	45,626	192,481
Special Assessments	0	0	2,719	0	2,719
Charges for Services	0	478,932	0	0	478,932
Fines, Licenses and Permits	33,035	0	0	0	33,035
Earnings on Investments	1,667	2,459	0	0	4,126
Miscellaneous	36,726	32,617	0	0	69,343
<i>Total Cash Receipts</i>	<u>1,046,702</u>	<u>677,466</u>	<u>8,297</u>	<u>45,626</u>	<u>1,778,091</u>
Cash Disbursements					
Current:					
Security of Persons and Property	240,056	538,259	0	0	778,315
Leisure Time Activities	0	21,418	0	0	21,418
Transportation	0	228,963	0	0	228,963
General Government	341,830	1,854	0	0	343,684
Capital Outlay	69,318	202,561	0	48,743	320,622
Debt Service:					
Principal Retirement	76,746	74,090	34,049	0	184,885
Interest and Fiscal Charges	14,622	13,047	3,846	0	31,515
<i>Total Cash Disbursements</i>	<u>742,572</u>	<u>1,080,192</u>	<u>37,895</u>	<u>48,743</u>	<u>1,909,402</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>304,130</u>	<u>(402,726)</u>	<u>(29,598)</u>	<u>(3,117)</u>	<u>(131,311)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes	24,650	0	0	0	24,650
Transfers In	0	359,905	12,603	45,000	417,508
Transfers Out	(409,060)	0	(4,181)	(1,975)	(415,216)
Advances Out	0	0	0	(11,432)	(11,432)
Other Financing Uses	(1,484)	0	0	0	(1,484)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(385,894)</u>	<u>359,905</u>	<u>8,422</u>	<u>31,593</u>	<u>14,026</u>
<i>Net Change in Fund Cash Balances</i>	<u>(81,764)</u>	<u>(42,821)</u>	<u>(21,176)</u>	<u>28,476</u>	<u>(117,285)</u>
<i>Fund Cash Balances, January 1</i>	<u>120,727</u>	<u>269,847</u>	<u>23,260</u>	<u>16,745</u>	<u>430,579</u>
Fund Cash Balances, December 31					
Restricted	0	227,026	2,084	45,221	274,331
Assigned	100	0	0	0	100
Unassigned (Deficit)	38,863	0	0	0	38,863
<i>Fund Cash Balances, December 31</i>	<u>\$38,963</u>	<u>\$227,026</u>	<u>\$2,084</u>	<u>\$45,221</u>	<u>\$313,294</u>

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

**VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,063,218	\$0	\$1,063,218
<i>Total Operating Cash Receipts</i>	<u>1,063,218</u>	<u>0</u>	<u>1,063,218</u>
Operating Cash Disbursements			
Personal Services	485,190	0	485,190
Contractual Services	184,294	0	184,294
Supplies and Materials	105,974	0	105,974
Capital Outlay	40,943	0	40,943
<i>Total Operating Cash Disbursements</i>	<u>816,401</u>	<u>0</u>	<u>816,401</u>
<i>Operating Income (Loss)</i>	<u>246,817</u>	<u>0</u>	<u>246,817</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	1,374	0	1,374
Principal Retirement	(157,562)	0	(157,562)
Interest and Other Fiscal Charges	(60,429)	0	(60,429)
Other Non-Operating Expenses	(2,488)	0	(2,488)
Other Financing Sources	0	8,926	8,926
Other Financing Uses	0	(8,926)	(8,926)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(219,105)</u>	<u>0</u>	<u>(219,105)</u>
<i>Income (Loss) before Transfers and Advances</i>	27,712	0	27,712
Transfers In	37,623	0	37,623
Transfers Out	(39,915)	0	(39,915)
Advances In	11,432	0	11,432
<i>Net Change in Fund Cash Balances</i>	36,852	0	36,852
<i>Fund Cash Balances, January 1</i>	<u>186,804</u>	<u>0</u>	<u>186,804</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$223,656</u></u>	<u><u>\$0</u></u>	<u><u>\$223,656</u></u>

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

**VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$701,000	\$107,488	\$0	\$0	\$808,488
Intergovernmental	49,651	83,982	5,547	36,075	175,255
Special Assessments	0	0	2,225	0	2,225
Charges for Services	0	405,373	0	0	405,373
Fines, Licenses and Permits	33,552	0	0	0	33,552
Earnings on Investments	2,079	0	0	0	2,079
Miscellaneous	39,927	43,688	0	0	83,615
<i>Total Cash Receipts</i>	<u>826,209</u>	<u>640,531</u>	<u>7,772</u>	<u>36,075</u>	<u>1,510,587</u>
Cash Disbursements					
Current:					
Security of Persons and Property	200,850	462,994	0	0	663,844
Leisure Time Activities	0	21,790	0	0	21,790
Transportation	0	207,233	0	0	207,233
General Government	381,006	2,564	106	0	383,676
Capital Outlay	77,940	95,651	0	99,900	273,491
Debt Service:					
Principal Retirement	71,167	72,082	192,845	0	336,094
Interest and Fiscal Charges	17,953	16,087	4,553	0	38,593
<i>Total Cash Disbursements</i>	<u>748,916</u>	<u>878,401</u>	<u>197,504</u>	<u>99,900</u>	<u>1,924,721</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>77,293</u>	<u>(237,870)</u>	<u>(189,732)</u>	<u>(63,825)</u>	<u>(414,134)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes	0	0	190,000	0	190,000
Transfers In	0	167,080	10,758	14,000	191,838
Transfers Out	(167,080)	(6,743)	0	0	(173,823)
Advances In	0	0	0	10,000	10,000
Other Financing Uses	(5,655)	0	0	0	(5,655)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(172,735)</u>	<u>160,337</u>	<u>200,758</u>	<u>24,000</u>	<u>212,360</u>
<i>Net Change in Fund Cash Balances</i>	<u>(95,442)</u>	<u>(77,533)</u>	<u>11,026</u>	<u>(39,825)</u>	<u>(201,774)</u>
<i>Fund Cash Balances, January 1</i>	<u>216,169</u>	<u>347,380</u>	<u>12,234</u>	<u>56,570</u>	<u>632,353</u>
Fund Cash Balances, December 31					
Restricted	0	269,847	23,260	16,745	309,852
Assigned	22,520	0	0	0	22,520
Unassigned (Deficit)	98,207	0	0	0	98,207
<i>Fund Cash Balances, December 31</i>	<u>\$120,727</u>	<u>\$269,847</u>	<u>\$23,260</u>	<u>\$16,745</u>	<u>\$430,579</u>

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

**VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,009,414	\$0	\$1,009,414
<i>Total Operating Cash Receipts</i>	<u>1,009,414</u>	<u>0</u>	<u>1,009,414</u>
Operating Cash Disbursements			
Personal Services	485,952	0	485,952
Contractual Services	185,583	0	185,583
Supplies and Materials	102,547	0	102,547
Capital Outlay	55,199	0	55,199
<i>Total Operating Cash Disbursements</i>	<u>829,281</u>	<u>0</u>	<u>829,281</u>
<i>Operating Income (Loss)</i>	<u>180,133</u>	<u>0</u>	<u>180,133</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	10,076	0	10,076
Principal Retirement	(155,826)	0	(155,826)
Interest and Other Fiscal Charges	(66,582)	0	(66,582)
Other Non-Operating Expenses	(3,506)	0	(3,506)
Other Financing Sources	0	10,184	10,184
Other Financing Uses	0	(10,184)	(10,184)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(215,838)</u>	<u>0</u>	<u>(215,838)</u>
<i>Income (Loss) before Transfers and Advances</i>	<u>(35,705)</u>	<u>0</u>	<u>(35,705)</u>
Transfers In	27,992	0	27,992
Transfers Out	(46,007)	0	(46,007)
Advances Out	(10,000)	0	(10,000)
<i>Net Change in Fund Cash Balances</i>	<u>(63,720)</u>	<u>0</u>	<u>(63,720)</u>
<i>Fund Cash Balances, January 1</i>	<u>250,524</u>	<u>0</u>	<u>250,524</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$186,804</u></u>	<u><u>\$0</u></u>	<u><u>\$186,804</u></u>

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

Village of New Concord, Ohio
Muskingum County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

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.

The Village operates under a council-mayor form of government and 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 Years Ended December 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

North Friendship Debt Fund - This fund receives transfers from the general fund and special assessments in order to repay debt.

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.

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.

Local Government Innovation Grant Fund - This fund was established to account for grant money received to measure Arts and Recreation Program (NCAARD) to advance and enhance recreation in the community.

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

OBWC Grant Fund - This fund accounts for a Safety Grant awarded through the Bureau of Worker's Compensation for a temporary traffic signal to protect staff working on streets and waterlines.

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.

Waste Water Treatment Plant Reserve Fund - This fund receives transfers from the sewer fund for the purpose of improving the wastewater treatment plan.

Village of New Concord, Ohio
Muskingum County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2015 and 2014 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.

Village of New Concord, Ohio
Muskingum County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment

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

Accumulated Leave

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

Fund Balance

Fund balance is divided 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.

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 law, certain super blanket certificates extended beyond fiscal year end. Additionally, contrary to Ohio law the Village did not certify all purchases prior to commitment.

Village of New Concord, Ohio
Muskingum County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,247,500	\$1,071,352	(\$176,148)
Special Revenue	917,500	1,037,371	119,871
Debt Service	16,689	20,900	4,211
Capital Projects	195,000	90,626	(104,374)
Enterprise	1,038,750	1,113,647	74,897
Total	\$3,415,439	\$3,333,896	(\$81,543)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,323,302	\$1,153,216	\$170,086
Special Revenue	1,139,680	1,081,010	58,670
Debt Service	37,895	42,076	(4,181)
Capital Projects	211,745	62,340	149,405
Enterprise	1,187,937	1,087,724	100,213
Total	\$3,900,559	\$3,426,366	\$474,193

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$962,201	\$826,209	(\$135,992)
Special Revenue	738,919	807,611	68,692
Debt Service	200,666	208,530	7,864
Capital Projects	71,930	60,075	(11,855)
Enterprise	1,006,226	1,047,482	41,256
Total	\$2,979,942	\$2,949,907	(\$30,035)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,040,500	\$944,171	\$96,329
Special Revenue	1,041,600	894,697	146,903
Debt Service	199,230	197,504	1,726
Capital Projects	128,500	99,900	28,600
Enterprise	1,244,277	1,125,018	119,259
Total	\$3,654,107	\$3,261,290	\$392,817

Village of New Concord, Ohio
Muskingum County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 5 – Deposits and Investments

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

	2015	2014
Demand deposits	<u>\$536,950</u>	<u>\$617,383</u>

Deposits Deposits are insured by the Federal Deposit 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. 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 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.

Village of New Concord, Ohio
Muskingum County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

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, 2015.

Ohio Police and Fire Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 10.75% of their wages for the period January 1, 2014 through June 30, 2014, 11.5% of their wages for the period July 1, 2014 through June 30, 2015 and 12.25% of their wages for the period July 1, 2015 through December 31, 2015. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2015.

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 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Village of New Concord, Ohio
Muskingum County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 10 – Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2011 Sewer Bonds	\$314,442	4.125%
2004 Various Purpose General Obligation Bonds	190,000	4.5%
2008 Sludge Press	35,680	5.25%
2014 TIF Bonds	167,775	1.8875%
2012 OPWC Loan	140,963	0%
2010 OPWC Loan	208,657	0%
OWDA Wastewater Treatment Loan	424,304	5.85%
OWDA Wastewater Improvement Loan	87,342	0%
OWDA East Side Sanitary Sewer Loan	93,058	1%
OWDA Waterline Replacement Loan	52,220	3.45%
USDA Wastewater Treatment Plant Loan	538,420	2.25%
Total	<u><u>\$2,252,861</u></u>	

On October 23, 2014 the Village issued \$190,000 of bonds to refund a \$170,000 note issued on October 23, 2013. The bond has an eight year term with an interest rate of 1.8875%.

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, and police cruiser. During 2014, the Village entered into a capital lease for a police cruiser. During 2015, the Village entered into a capital lease for a Ford F250 truck.

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

Year ending December 31:	<u>Leases</u>	<u>Sewer Bonds</u>	<u>OPWC Loans</u>	<u>OWDA Loans</u>
2016	\$110,296	\$38,810	\$19,360	\$121,230
2017	103,715	38,810	19,360	121,230
2018	102,667	38,810	19,360	121,230
2019	5,329	38,810	19,360	121,230
2020	5,329	38,810	19,360	121,230
2021-2025	0	194,013	96,800	135,237
2026-2030	0	0	75,113	12,880
2031-2035	0	0	42,583	0
2036-2040	0	0	38,325	0
2041-2045	0	0	0	0
2046-2050	0	0	0	0
2051-2055	0	0	0	0
Total	<u><u>\$327,336</u></u>	<u><u>\$388,063</u></u>	<u><u>\$349,621</u></u>	<u><u>\$754,267</u></u>

Village of New Concord, Ohio
Muskingum County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 10 – Debt (Continued)

Year ending December 31:	USDA Loan	General Obligation Bonds	Notes	TIF Bonds
2016	\$22,292	\$69,500	\$16,456	\$25,811
2017	22,367	71,500	17,414	25,811
2018	22,235	68,250	6,103	25,811
2019	22,301	0	0	25,811
2020	22,360	0	0	25,811
2021-2025	111,490	0	0	51,623
2026-2030	111,505	0	0	0
2031-2035	111,508	0	0	0
2036-2040	111,508	0	0	0
2041-2045	111,492	0	0	0
2046-2050	111,546	0	0	0
2051-2055	14,411	0	0	0
Total	<u>\$795,015</u>	<u>\$209,250</u>	<u>\$39,973</u>	<u>\$180,678</u>

Note 11 – 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 12 – Subsequent Events

On October 17, 2016 the former Village Utility Clerk repaid \$19,637 to the Village which was deposited to the credit of the Village's Water and Sewer Funds.

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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, OH 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, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated February 15, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We qualified our opinion on the Village's financial statements for the years ended December 31, 2015 and 2014 because we were unable to obtain sufficient appropriate audit evidence supporting the occurrence and existence of transactions recorded as charges for services receipts in the Enterprise Fund.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2015-001 through 2015-003 and 2015-005 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2015-002 and 2015-004 through 2015-005.

Village's Response to Findings

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.

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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 15, 2017

VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

Material Weakness

Management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. In addition, a well-designed system of internal control will include monitoring of financial reports and information by management in order to compensate for any lack of segregation of duties. This should include the approval of all adjustments posted to the utility billing system and review of utility reports by management for the posting of unauthorized adjustments.

The Village's former Utility Clerk was responsible for collecting, recording and depositing utility receipts of the Village. The Village discovered the former Utility Clerk was collecting cash payments for utility bills from customers, pocketing the cash and performing a subsequent adjustment to the customer bill in order to reflect a \$0 balance. Through investigations by the Village's management and Police Department, the Village identified 41 such transactions during 2014 and 111 such transactions during 2015, resulting in a total of \$19,637 that was collected and unaccounted for.

On October 28, 2016, the Village received and deposited a restitution payment issued to them by the Muskingum County Clerk of Common Pleas Court, in the amount of \$19,637, as restitution from the former Utility Clerk, resulting in no remaining balance.

We also noted six unauthorized adjustments posted to customer accounts in the billing system by the former Utility Clerk in 2015 ranging from \$127 to \$4,110, and three unauthorized adjustments posted to customer accounts in the billing system by the former Utility Clerk in 2014 ranging from \$41 to \$1,499,928. These unauthorized adjustments totaled \$1,684,917 for the period. None of these adjustments were approved by the Village Administrator. These adjustments were later reviewed by the Village Administrator with no significant adjustments considered to be fraudulent.

Failure to have a member of Village management approve adjustments to customer utility accounts and the failure of Village management to review utility reports for evidence of unauthorized adjustments could result in fictitious adjustments being made to the system and remain undetected.

The Village should develop and implement a formal policy regarding utility adjustments made to customer accounts. The policy should require all adjustments to be approved by the Village Administrator prior to being posted to the billing system. In addition, the policy should require the Village Administrator to review billing reports on a periodic basis for evidence of unauthorized adjustments posted to the system. These reviews should be documented on the appropriate reports and maintained on file as evidence that this review has been performed.

Officials' Response: The Village Administrator signs and dates all adjustments made to any account in the water billing system. The Village Administrator reviews all adjustments made to all accounts with the water billing clerk every billing cycle, separate from the original review of the adjustment made at the time the error occurred. The Village Fiscal Officer maintains these reviews on file.

**VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money.

The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively:

Then and Now Certificate – If the Fiscal Officer can certify that both at the time the contract or order was made "then" and at the time that the Fiscal Officer is completing the certification "now", that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000, may be paid by the Fiscal Officer without a resolution or ordinance of the Village upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

We noted 11 percent of super blanket certificates tested during 2014 and 38 percent of super blanket certificates tested in 2015 extended beyond the current year. Additionally, we noted 15 percent of vouchers tested for January and February 2015 and 17 percent of January and February 2016 vouchers tested represented unrecorded encumbrances at December 31, 2014 and December 31, 2015, respectively.

**VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

**FINDING NUMBER 2015-002
(Continued)**

Noncompliance and Material Weakness - Ohio Rev. Code § 5705.41(D)(1) (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which § 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. Additionally, all super blanket certificates should be closed at fiscal year-end.

Officials' Response: The Village will carryover all encumbrances at year end instead of canceling and reissuing new purchase orders. The Village is currently in the process of converting budgetary software to the State of Ohio Universal Accounting Network which will ensure proper certificates will be issued for all purchases.

FINDING NUMBER 2015-003

Material Weakness

The Village should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

The Village Fiscal Officer did not always accurately post budgeted receipts, or any amendments made to them, to the accounting system. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system. The following table details these variances:

<u>Fund</u>	<u>Amount Per Final Amended Certificate</u>	<u>Amount Posted to Accounting System</u>	<u>Variance</u>
For the year ending December 31, 2015:			
General Fund	\$1,247,500	\$1,072,700	(\$174,800)
Street Maintenance Fund	167,000	173,000	6,000
MVL Permissive Fund	5,500	4,200	(1,300)
Celebrate New Concord Fund	7,000	6,500	(500)
Street Assessment Levy Fund	21,000	7,000	(14,000)
Fire & EMS Fund	\$609,000	\$635,000	\$26,000
Incentive District TIF Fund	5,547	5,600	53
North Friendship Fund	11,142	14,100	2,958
LGIF Project Fund	45,000	50,000	5,000
S Friendship Improvement Fund	140,000	265,000	125,000
Water Revenue Fund	483,000	524,600	41,600

**VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-003 (Continued)

Material Weakness (Continued)

<u>Fund</u>	<u>Amount Per Final Amended Certificate</u>	<u>Amount Posted to Accounting System</u>	<u>Variance</u>
For the year ending December 31, 2015 (Continued):			
Sewer Revenue Fund	492,000	513,100	21,100
Sewer Plant Debt Fund	22,250	22,627	377
Swimming Pool Fund	32,000	31,000	(1,000)
Utility Deposits Fund	4,500	3,000	(1,500)
For the year ending December 31, 2014:			
General Fund	962,201	812,500	(149,701)
Street Maintenance Fund	170,000	167,000	(3,000)
MVL Permissive Fund	6,700	7,000	300
Celebrate New Concord Fund	7,000	6,000	(1,000)
Street Assessment Levy Fund	108,719	117,700	8,981
Fire & EMS Fund	420,000	417,000	(3,000)
Incentive District TIF Fund	173,230	195,500	22,270
North Friendship Fund	27,436	17,436	(10,000)
Safe Routes to School Project Fund	10,000	0	(10,000)
Incentive District Fund	1,930	0	(1,930)
Safety Grant Fund	50,000	50,075	75
OEPA Lab Grant Fund	10,000	0	(10,000)
Water Revenue Fund	470,000	463,000	(7,000)
Sewer Revenue Fund	470,000	492,000	22,000
Sewer Plant Debt Fund	22,226	22,250	24
Swimming Pool Fund	35,000	27,000	(8,000)

The Fiscal Officer did not always accurately post appropriations, or any amendments made to them, to the accounting system. Variances existed between the appropriation resolution/amendments and the amounts posted to the accounting system. The following table details these variances:

<u>Fund</u>	<u>Amount Per Annual Appropriation Resolution</u>	<u>Amount Posted to Accounting System</u>	<u>Variance</u>
For the year ending December 31, 2015:			
North Friendship Fund	\$12,084	\$16,264	\$4,180
Sewer Revenue Fund	561,929	557,460	(4,469)
For the year ending December 31, 2014:			
General Fund	1,040,500	1,017,731	(22,769)
Fire & EMS Fund	607,600	679,600	72,000
North Friendship Fund	26,000	25,018	(982)
Incentive District Fund	58,500	56,570	(1,930)
Safety Grant Fund	50,000	48,100	(1,900)

**VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-003 (Continued)

Material Weakness (Continued)

<u>Fund</u>	<u>Amount Per Annual Appropriation Resolution</u>	<u>Amount Posted to Accounting System</u>	<u>Variance</u>
For the year ending December 31, 2014 (Continued):			
Water Revenue Fund	524,874	521,842	(3,032)
Sewer Revenue Fund	600,000	583,437	(16,563)
Sewer Plant Debt Fund	22,403	22,226	(177)
Utility Deposits Fund	22,000	10,000	(12,000)

Because the information entered into the accounting system was not always accurate, adjustments were made to the budgetary activity reported in Note 4 to the financial statements in order to accurately present appropriations approved by the Village Council and to include budgeted receipts as certified by the County Budget Commission.

Furthermore, the Fiscal Officer presented financial reports to the Village Council for review and approval. However, the Fiscal Officer did not present any current year budget versus actual information along with these financial reports. Without monitoring actual receipts and expenditures in relation to approved budget figures, the Council's ability to make informed financial decisions is reduced.

The Village Council should approve all appropriation amendments, record approval in the minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should post these amendments only after obtaining required approvals. We also recommend the Fiscal Officer record estimated receipts from the Certificate of Estimated Resources and any amendments thereto to the accounting system. We further recommend that budget versus actual reports be presented to the Village Council for approval as part of the monthly financial reports.

Officials' Response: The Village of New Concord's annual budget is established by the annual "Permanent Appropriation Ordinance". All funds amounts are appropriated at a level equal to or less than the Certificate of Available Resources issued by the County Budget Commission. The Village of New Concord utilizes Governmental Systems Budgetary Software Program to track and control all revenue and expenses throughout the year. The Fund Report tracks the actual cash revenue and expenses on a month to date and year to date basis. The Budget column in the expense report are used to allow each department to control expenses. The exact amount of some line items such as debt is used in the budgetary column. Other line items are budgeted conservatively so that the total of each fund total is less than the appropriated amount in order to control expenses in each department. Estimated revenue is also entered in the system at amounts equal or less than the anticipated revenue in order to not over estimated available resource. In the future the budget will be posted exactly as appropriated. Village Council approves all appropriation amendments and the County Auditor approves all amendments to Certificate of Estimated Resources. The Village plans to convert to the State of Ohio Universal Accounting Network for the fiscal year 2017.

VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)

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

FINDING NUMBER 2015-004

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits the expenditure of funds unless they have been properly appropriated.

Expenditures plus outstanding commitments exceeded appropriations in the North Friendship Debt Service Fund by \$4,180 for the year ended December 31, 2015.

The Fiscal Officer should deny payment requests exceeding appropriations. The Fiscal Officer and Village Council should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Village Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

Officials' Response: North Friendship Debt Service Fund retired in 2015. The Village Council passed Resolution 12-15-4 to transfer fund balance to Sewer Revenue Fund.

FINDING NUMBER 2015-005

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

The Village Officer's Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

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 the Board, which could not be changed without Board 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.

During 2015 and 2014, 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. In addition, various other adjustments were made to the Village's financial statements for 2015 and 2014.

**VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2015-005 (Continued)

Noncompliance and Material Weakness – Ohio Admin. Code § 117-2-02(A) (Continued)

During 2015, the Fiscal Officer classified certain transactions incorrectly as follows:

- The Village accounted for the collection of court fines due to other agencies, in the amount of \$8,926, within the General Fund rather than recording this receipt and disbursement activity in a separate Agency Fund.
- Principal and interest payments for Village debt service obligations were not reported separately on the financial statements. This resulted in adjustments of \$14,622, \$13,047, \$3,846, and \$60,429 to the Village's General, Special Revenue, Debt Service, and Enterprise Funds, respectively, to separate the principal and interest portion of these payments.

During 2014, the Fiscal Officer classified certain significant transactions incorrectly as follows:

- The Village accounted for the collection of court fines due to other agencies, in the amount of \$10,184, within the General Fund rather than recording this receipt and disbursement activity in a separate Agency Fund.
- Principal and interest payments for Village debt service obligations were not reported separately on the financial statements. This resulted in adjustments of \$17,953, \$16,087, \$4,553, and \$60,582 to the Village's General, Special Revenue, Debt Service, and Enterprise Funds, respectively, to separate the principal and interest portion of these payments.

Audit adjustments, with which management has agreed, have been recorded in the accompanying financial statements to properly reflect these amounts.

In addition to the above items, unadjusted differences were also noted for receipts incorrectly posted for 2015 as follows:

- A donation of \$4,000 was incorrectly posted as a contract receipt rather than as Donations in the Fire & EMS Fund.
- Receipts from the State of Ohio totaling \$3,318 were posted as Capital Improvements (\$2,499), Charges for Services (\$410), and Miscellaneous Receipts (\$409) rather than as Intergovernmental Receipts in the Enterprise Funds.

Also, unadjusted differences were noted for receipts incorrectly posted for 2014 as follows:

- A donation was incorrectly posted as Intergovernmental Receipts of \$2,500 rather than Donations in the General Fund.
- A donation of \$4,000 was incorrectly posted as a contract receipt rather than as Donations in the Fire & EMS Fund.
- A receipt from the State of Ohio of \$280 was posted as Miscellaneous Receipts rather than as Intergovernmental Receipts in the Fire & EMS Fund.

Incorrect financial statement account classifications and balances could result in inaccurate reporting of the Village's financial information.

The Fiscal Officer should refer to the Village Officer's Handbook for proper classification and take additional care in posting transactions to the Village's ledgers in order to help ensure the Village's year-end financial statements reflect the appropriate sources and uses of the Village's monies.

VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)

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

FINDING NUMBER 2015-005 (Continued)

Noncompliance and Material Weakness – Ohio Admin. Code § 117-2-02(A) (Continued)

Officials' Response: The Village will assure that account classifications and balances are properly posted in future financial statements. Implementation of the State of Ohio Universal Accounting Network will assure proper internal controls and properly integrate all accounts into the budgetary system. Village Council is provided with the monthly fund report at each meeting and a quarterly comparison report which includes details of all revenue and expenditures year to date, the current budget and the previous three years. Council is also provided copies of the budgetary report at each meeting.

**VILLAGE OF NEW CONCORD
MUSKINGUM COUNTY**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Status	Additional Information
2013-001	Ohio Revised Code § 5705.41D – lack of prior certification.	Not Corrected	Re-issued as finding 2015-002.
2013-002	Budgetary Postings on Village records did not agree to legislatively approved appropriations and estimated receipts from the Amended Certificates.	Not Corrected	Re-issued as finding 2015-003.
2013-003	GASB 54 was not implemented by the Village.	Not Corrected	Re-issued as part of finding 2015-005.

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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
FEBRUARY 28, 2017