



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF NEW MADISON
DARKE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2018	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Proprietary Fund Types - For the Year Ended December 31, 2018	4
Notes to the Financial Statements - For the Year Ended December 31, 2018.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017	13
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Proprietary Fund Types - For the Year Ended December 31, 2017	14
Notes to the Financial Statements - For the Year Ended December 31, 2017.....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25
Prepared by Management:	
Summary Schedule of Prior Audit Findings	29

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Village of New Madison
Darke County
124 South Harrison Street
P.O. Box 15
New Madison, Ohio 45346

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 Madison, Darke County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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.

Efficient • Effective • Transparent

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 Section 117.38 and Ohio Administrative Code Section 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, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of New Madison, Darke County as of December 31, 2018 and 2017, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As described in Note 12 to the financial statements for the year ended December 31, 2017, the Village restated their beginning fund balances as of January 1, 2017 due to corrections for prior period fund balance adjustments. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

February 6, 2020

Village of New Madison
Darke County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018*

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$34,498	\$74,969	\$29,606	\$139,073
Municipal Income Tax	160,009			160,009
Intergovernmental	388,717	46,548	2,186	437,451
Charges for Services	68,380			68,380
Fines, Licenses and Permits	96	100		196
Earnings on Investments	3,612			3,612
Miscellaneous	24,642	543		25,185
<i>Total Cash Receipts</i>	<u>679,954</u>	<u>122,160</u>	<u>31,792</u>	<u>833,906</u>
Cash Disbursements				
Current:				
Security of Persons and Property	17,271	85,715		102,986
Public Health Services	3,409			3,409
Leisure Time Activities		17,798		17,798
Basic Utility Services	72,619			72,619
Transportation		95,463		95,463
General Government	112,093	1,329		113,422
Capital Outlay	469,606	44,321		513,927
Debt Service:				
Principal Retirement			7,200	7,200
Interest and Fiscal Charges			17,898	17,898
<i>Total Cash Disbursements</i>	<u>674,998</u>	<u>244,626</u>	<u>25,098</u>	<u>944,722</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,956</u>	<u>(122,466)</u>	<u>6,694</u>	<u>(110,816)</u>
Other Financing Receipts (Disbursements)				
Transfers In	81	56,508	7,716	64,305
Transfers Out	(56,508)	(81)		(56,589)
Advances Out	(12,726)			(12,726)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(69,153)</u>	<u>56,427</u>	<u>7,716</u>	<u>(5,010)</u>
<i>Net Change in Fund Cash Balances</i>	(64,197)	(66,039)	14,410	(115,826)
<i>Fund Cash Balances, January 1</i>	<u>119,775</u>	<u>172,136</u>	<u>(11,779)</u>	<u>280,132</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	0	0
Restricted	0	106,097	2,631	108,728
Committed	0	0	0	0
Assigned	39,658	0	0	39,658
Unassigned (Deficit)	15,920	0	0	15,920
<i>Fund Cash Balances, December 31</i>	<u>\$55,578</u>	<u>\$106,097</u>	<u>\$2,631</u>	<u>\$164,306</u>

See accompanying notes to the basic financial statements.

Village of New Madison
Darke County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2018*

	Enterprise
Operating Cash Receipts	
Charges for Services	\$447,931
Miscellaneous	6,324
<i>Total Operating Cash Receipts</i>	454,255
 Operating Cash Disbursements	
Personal Services	57,632
Employee Fringe Benefits	8,549
Contractual Services	96,452
Supplies and Materials	139,834
<i>Total Operating Cash Disbursements</i>	302,467
 <i>Operating Income (Loss)</i>	151,788
 Non-Operating Receipts (Disbursements)	
Intergovernmental	66,530
Earnings on Investments	93
Sale of Capital Assets	677
Capital Outlay	(17,530)
Principal Retirement	(56,200)
Interest and Other Fiscal Charges	(78,019)
 <i>Total Non-Operating Receipts (Disbursements)</i>	(84,449)
 <i>Income before Transfers and Advances</i>	67,339
Transfers In	216,346
Transfers Out	(224,062)
Advances In	12,726
	72,349
 <i>Net Change in Fund Cash Balances</i>	72,349
 <i>Fund Cash Balances, January 1</i>	1,177,292
 <i>Fund Cash Balances, December 31</i>	\$1,249,641

See accompanying notes to the basic financial statements.

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of New Madison (the Village), Darke County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts with the Darke County Sheriff's department to provide security of persons and property, New Madison Fire Department Association to receive fire protection services, and Tri-Village Joint Ambulance District for rescue services.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary 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:

Street Construction Maintenance and Repair The street construction maintenance and repair 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.

Road Levy Fund The road levy fund receives property tax levy proceeds for improving Village roads.

Fire Levy Fund The fire levy fund receipts property tax levy proceeds to provide funding for fire protection services for the Village.

Police Levy Fund The police levy fund receives property tax proceeds to provide funding for police protection services in the Village.

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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:

Wastewater Levy Debt Service Fund This debt fund receives property tax levy proceeds to pay for debt and interest on General Obligation bonds.

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 Operating Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Operating Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2018 budgetary activity appears in Note 4.

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into five classifications 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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

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

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

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

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

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 - Compliance

Contrary to Ohio law, appropriations were not accurately posted to the financial accounting system.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$692,621	\$680,035	(\$12,586)
Special Revenue	248,238	178,668	(69,570)
Debt Service	15,915	39,508	23,593
Capital Projects	1,000,000	0	(1,000,000)
Enterprise	819,947	750,627	(69,320)
Total	\$2,776,721	\$1,648,838	(\$1,127,883)

2018 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$806,436	\$747,431	\$59,005
Special Revenue	188,788	245,426	(56,638)
Debt Service	26,150	25,098	1,052
Capital Projects	0	0	0
Enterprise	807,089	679,842	127,247
Total	\$1,828,463	\$1,697,797	\$130,666

Note 5 – Deposits

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

Demand deposits	2018 \$1,347,519
Certificates of deposit	66,428
Total deposits	\$1,413,947

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Income Taxes

The Village levies a municipal income tax of one 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 – Interfund Balances

Advances

Outstanding advances at December 31, 2018, consisted of \$12,726 advanced to the Storm Sewer Fund from the General Fund to correct negative fund balances from the previous audit.

Note 8 - 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 Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village’s 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, 2018.

Social Security

One of the Village’s employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 10 - Postemployment Benefits

OPERS 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 11 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
USDA Mortgage Revenue Bond 92-01	\$1,328,900	4.75%
USDA Mortgage Revenue Bond 92-03	\$282,400	4.75%
USDA General Obligation Bond 92-05	369,600	4.75%
Ohio Public Works Commission Loan	112,500	0.00%
Total	\$2,093,400	

The United States Department of Agriculture (USDA) mortgage revenue bonds relate to a water and sewer plant construction project the Ohio Environmental Protection Agency mandated. The Village will repay the bonds in annual installments including interest, over 40 years. Water and sewer receipts collateralize the bonds. The Village has agreed to set utility rates sufficient to cover USDA debt service requirements.

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Village issued general obligation bonds to assist in financing of a water and sewer plant construction project. This is being repaid with property tax receipts, and the Village will repay this bond in annual installments with interest over 40 years. The Village’s taxing authority collateralized the bonds.

The Ohio Public Works Commission loan is an interest-free loan, which was obtained to aid in construction of the water and sewer project. This loan is being repaid in semi-annual installments of \$12,500. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Amortization

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

Year Ending December 31:	USDA Mortgage Revenue	USDA General Obligation	OPWC Loan
2019	109,237	25,056	12,500
2020	109,184	25,100	25,000
2021	109,259	25,025	25,000
2022	109,154	25,035	25,000
2023-2027	546,155	125,239	25,000
2028-2032	546,049	125,281	
2033-2037	546,008	125,241	
2038-2042	546,152	125,326	
2043-2044	218,435	50,054	
Total	<u>\$2,839,633</u>	<u>\$651,357</u>	<u>\$112,500</u>

Note 12 – Contingent Liabilities

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

Note 13 – Subsequent Events

In January 2019, the Village Council approved a contract with Caldwell Tanks, Inc. for \$662,900 related to the water tower project.

This page intentionally left blank.

Village of New Madison
Darke County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017*

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$31,522	\$60,032	\$22,763	\$114,317
Municipal Income Tax	161,628			161,628
Intergovernmental	69,846	50,597	4,401	124,844
Charges for Services	67,665			67,665
Fines, Licenses and Permits	35			35
Earnings on Investments	5,054			5,054
Miscellaneous	27,702	8,345		36,047
<i>Total Cash Receipts</i>	<u>363,452</u>	<u>118,974</u>	<u>27,164</u>	<u>509,590</u>
Cash Disbursements				
Current:				
Security of Persons and Property	20,677	59,003		79,680
Public Health Services	4,052			4,052
Community Environment	2			2
Basic Utility Services	65,543			65,543
Transportation		112,588		112,588
General Government	109,424	1,006		110,430
Capital Outlay	35,277	20,025		55,302
Debt Service:				
Principal Retirement			6,800	6,800
Interest and Fiscal Charges			18,221	18,221
<i>Total Cash Disbursements</i>	<u>234,975</u>	<u>192,622</u>	<u>25,021</u>	<u>452,618</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>128,477</u>	<u>(73,648)</u>	<u>2,143</u>	<u>56,972</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	42,000			42,000
Transfers In	6,663	72,130		78,793
Transfers Out	(72,130)	(6,663)		(78,793)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(23,467)</u>	<u>65,467</u>	<u>0</u>	<u>42,000</u>
<i>Net Change in Fund Cash Balances</i>	105,010	(8,181)	2,143	98,972
<i>Fund Cash Balances, January 1 (Restated - see Note 12)</i>	<u>14,765</u>	<u>180,317</u>	<u>(13,922)</u>	<u>181,160</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	0	0
Restricted	0	172,136	0	172,136
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned (Deficit)	119,775	0	(11,779)	107,996
<i>Fund Cash Balances, December 31</i>	<u>\$119,775</u>	<u>\$172,136</u>	<u>(\$11,779)</u>	<u>\$280,132</u>

See accompanying notes to the basic financial statements.

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

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$440,476
Miscellaneous	90
	<u>440,566</u>
<i>Total Operating Cash Receipts</i>	<u>440,566</u>
Operating Cash Disbursements	
Personal Services	50,454
Employee Fringe Benefits	5,021
Contractual Services	78,914
Supplies and Materials	127,429
	<u>261,818</u>
<i>Total Operating Cash Disbursements</i>	<u>261,818</u>
<i>Operating Income (Loss)</i>	<u>178,748</u>
Non-Operating Receipts (Disbursements)	
Earnings on Investments	99
Miscellaneous Receipts	444
Principal Retirement	(54,800)
Interest and Other Fiscal Charges	(79,434)
Other Financing Sources	87
	<u>87</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(133,604)</u>
<i>Income before Transfers</i>	45,144
Transfers In	153,372
Transfers Out	(153,372)
	<u>(153,372)</u>
<i>Net Change in Fund Cash Balances</i>	45,144
<i>Fund Cash Balances, January 1 (Restated - see Note 12)</i>	<u>1,132,148</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,177,292</u></u>

See accompanying notes to the basic financial statements

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

Note 1 - Reporting Entity

The Village of New Madison (the Village), Darke County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts with the Darke County Sheriff's department to provide security of persons and property, New Madison Fire Department Association to receive fire protection services, and Tri-Village Joint Ambulance District for rescue services.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary 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:

Street Construction Maintenance and Repair The street construction maintenance and repair 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.

Road Levy Fund The road levy fund receives property tax levy proceeds for improving Village roads.

Fire Levy Fund The fire levy fund receipts property tax levy proceeds to provide funding for fire protection services for the Village.

Police Levy Fund The police levy fund receives property tax proceeds to provide funding for police protection services in the Village.

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

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:

Wastewater Levy Debt Service Fund This debt fund receives property tax levy proceeds to pay for debt and interest on General Obligation bonds.

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 Operating Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Operating Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2017 budgetary activity appears in Note 4.

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

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into five classifications 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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

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

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

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

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

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

Note 3 - Compliance

Contrary to Ohio law, appropriations were not accurately posted to the financial accounting system.

Note 4 - Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$259,195	\$412,115	\$152,920
Special Revenue	227,944	191,104	(36,840)
Debt Service	26,960	27,164	204
Enterprise	703,528	594,568	(108,960)
Total	\$1,217,627	\$1,224,951	\$7,324

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$231,653	\$307,457	(\$75,804)
Special Revenue	251,381	199,591	51,790
Debt Service	26,960	25,021	1,939
Enterprise	622,482	550,021	72,461
Total	\$1,132,476	\$1,082,090	\$50,386

Note 5 – Deposits

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

Demand deposits	2017 \$1,391,088
Certificates of deposit	66,336
Total deposits	\$1,457,424

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

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

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Income Taxes

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

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

Note 7 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

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

Note 9 - Postemployment Benefits

OPERS 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Mortgage Revenue Bond 92-01	\$1,354,600	4.75%
USDA Mortgage Revenue Bond 92-03	\$287,900	4.75%
USDA General Obligation Bond 92-05	376,800	4.75%
Ohio Public Works Commission Loan	137,500	0.00%
Total	<u>\$2,156,800</u>	

The United States Department of Agriculture (USDA) mortgage revenue bonds relate to a water and sewer plant construction project the Ohio Environmental Protection Agency mandated. The Village will repay the bonds in annual installments including interest, over 40 years. Water and sewer receipts collateralize the bonds. The Village has agreed to set utility rates sufficient to cover USDA debt service requirements.

The Village issued general obligation bonds to assist in financing of a water and sewer plant construction project. This is being repaid with property tax receipts, and the Village will repay this bond in annual installments with interest over 40 years. The Village's taxing authority collateralized the bonds.

The Ohio Public Works Commission loan is an interest-free loan, which was obtained to aid in construction of the water and sewer project. This loan is being repaid in semi-annual installments of \$12,500. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Leases

The Village leases buildings, vehicles and other equipment under non-cancelable leases. The Village disbursed \$13,217 to pay lease costs for the year ended December 31, 2017.

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

Amortization

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

Year Ending December 31:	USDA Mortgage Revenue	USDA General Obligation	OPWC Loan
2018	\$109,219	\$25,098	\$25,000
2019	109,237	25,056	25,000
2020	109,184	25,100	25,000
2021	109,259	25,025	25,000
2022	109,154	25,035	25,000
2023-2027	546,155	125,239	12,500
2028-2032	546,049	125,281	
2033-2037	546,008	125,241	
2038-2042	546,152	125,326	
2043-2044	218,435	50,054	
Total	<u>\$2,948,852</u>	<u>\$676,455</u>	<u>\$137,500</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 – Fund Balance Restatement

The Village posted audit adjustments from the 2013-2014 audit during 2017. During 2017 the Village also posted adjustments for debit card transactions from 2014 and 2015 that were not recorded to the accounting system. Also fund balance adjustments were required to reclassify the funds related to the USDA Mortgage Revenue bonds as Enterprise Funds rather than Debt Service Funds. Fund balances as of December 31, 2016, were restated as follows to properly reflect the changes.

Fund	Fund Balance at December 31, 2016 per prior audit report	Reclassification of Mortgage Revenue Bond Funds	Audit Adjustments from 2013-2014 posted in 2017	Unrecorded Prior Period Debit Card Transactions posted in 2017	Restated Fund Balance at December 31, 2016 (beginning balance at January 1, 2017)
General	\$169,278		\$(134,922)	\$(19,591)	\$14,765
Special Revenue	\$117,017		\$73,277	\$(9,977)	\$180,317
Debt Service	\$223,695	\$(237,617)			\$(13,922)
Enterprise	\$860,584	\$237,617	\$73,362	\$(39,415)	\$1,132,148
Total	<u>\$1,370,574</u>	<u>\$0</u>	<u>\$11,717</u>	<u>\$(68,983)</u>	<u>\$1,313,308</u>

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

Village of New Madison
Darke County
124 South Harrison Street
P.O. Box 15
New Madison, Ohio 45346

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 Madison, Darke County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated February 6, 2020 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit and restated beginning fund balances as of January 1, 2017.

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 Village'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 2018-001 and 2018-002 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 subject the Village's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

February 6, 2020

**VILLAGE OF NEW MADISON
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Material Weakness

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

The Village's financial reports for 2017 and 2018 contained errors which resulted in reclassifications and adjustments to correctly report the financial activity during the period as follows:

- In 2017, capital lease payments of \$13,217 for a 2015 Ford Explorer were classified as Security of Persons & Property rather than Capital Outlay in the Special Revenue funds.
- In 2017, homestead and rollback was incorrectly recorded as Property Tax instead of Intergovernmental for the Debt Service fund in the amount of \$2,165.
- In 2017, the Rural Development Debt Service and Rural Development Reserve fund were incorrectly reported as Debt Service funds instead of being reported as part of Enterprise funds. The Rural Development Debt Service fund overstated Debt service beginning fund balance by \$107,689, revenues by \$109,623, expenditures by \$102,655, and ending balance by \$114,657. Enterprise funds were understated by the same amount. The Rural Development Reserve fund overstated Debt Service beginning fund balance by \$45,347, revenues by \$10,968, expenditures by \$5,000, and ending fund balance by \$51,315. Enterprise funds were understated by the same amounts.
- In 2017, the mortgage revenue bond and the general obligation bond payments were made from Wastewater Levy debt service fund, Rural Development debt service fund, and Rural Development reserve fund. However, the payments were recorded to the incorrect fund as well as not properly classified as either Principal or Interest. This resulted in Wastewater Levy Debt service fund principal being overstated by \$19,800 and interest being understated by \$18,221 as well as \$1,579 being charged incorrectly to this fund. The Rural Development debt service fund principal was understated by \$19,800 and interest was overstated by \$18,221 which resulted in \$1,579 not being correctly charged to this fund.
- In 2017, charges for services in the Sewer Fund were incorrectly reported as Special Assessment revenues rather than Charges for Services in the amount of \$272,922.
- In 2017, the Village sold vehicles for a total of \$42,000. The Village erroneously classified the sale of these assets as General Fund Miscellaneous Revenue rather than Sale of Capital Assets.
- In 2017, the Village received on-behalf payments from the Ohio Public Works Commission but the activity was not recorded until 2018. The activity should have been recorded in 2017 as Intergovernmental revenue and Capital Outlay expenditures for the General Fund. This resulted in overstatement of Other Financing Sources and Capital Outlay in the amount of \$30,277, respectively, in 2018, and corresponding understatement of Intergovernmental revenue and Capital Outlay expenditures in 2017 for the same amounts.

FINDING NUMBER 2018-001
(Continued)

- In 2018, the Village recorded on-behalf grant payments from the Ohio Public Works Commission as Other Financing Sources instead of Intergovernmental revenue in the amount of \$347,723 in the General Fund. This resulted in an overstatement of Other Financing Source and understatement of Intergovernmental receipts.
- In 2018, charges for services in the Sewer Fund were incorrectly reported as Special Assessment revenues rather than Charges for Services in the amount of \$271,697.
- In 2018, the Rural Development Debt Service and Rural Development Reserve fund were incorrectly reported as Debt Service funds instead of being reported as part of Enterprise funds. The Rural Development Debt Service fund overstated Debt service beginning fund balance by \$184,702, revenues by \$109,617, expenditures by \$108,167, and ending balance by \$186,152. Enterprise funds were understated by the same amount. The Rural Development Reserve fund overstated Debt Service beginning fund balance by \$51,315, revenues by \$63,388, and ending fund balance by \$114,703. Enterprise funds were understated by the same amounts.
- In 2018, the mortgage revenue bond and the general obligation bond payments were made from Wastewater Levy debt service fund and Rural Development debt service fund. However, the payments were recorded to the incorrect fund as well as not properly classified as either Principal or Interest. This resulted in Wastewater Levy Debt service fund principal being overstated by \$18,950 and interest being understated by \$17,898 as well as \$1,052 being charged incorrectly to this fund. The Rural Development debt service fund principal was understated by \$18,950 and interest was overstated by \$17,898 which resulted in \$1,052 not being correctly charged to this fund.
- In 2018, the Community Development Block Grant for the Duffield Storm Grant was incorrectly recorded as Other Financing Sources instead of Intergovernmental revenue in the amount of \$52,000 in the Enterprise Funds.
- In 2018, Ohio Public Works Commission on behalf payments for the water tower project were not recorded resulting in understatement of both Capital Outlay expenditures and Intergovernmental revenue in the amount of \$14,530 in the Enterprise Funds.

Adjustments and reclassifications to correct the errors above are reflected in the accompanying financial statements. Additionally, the Village has recorded all applicable fund balance adjustments in the accounting system.

The Village's financial reports for 2017 and 2018 also contained errors which did not require re-classifications or adjustments as follows:

- In 2017, homestead and rollback from the State was incorrectly recorded as Property Tax revenue instead of Intergovernmental revenue in the amount of \$2,736 for the General Fund and \$4,734 for Special Revenue funds.
- In 2017, the Village recorded a park grant in the amount of \$1,850 as Miscellaneous revenue instead of Intergovernmental revenue in the General Fund.
- In 2018, homestead and rollback from the State was incorrectly recorded as Property Tax revenue instead of Intergovernmental revenue in the amount of \$2,824 for the General Fund, \$4,987 for Special Revenue Funds, and \$2,464 for the Debt Service Fund.
- In 2018, the Village started to receive permissive tax money levied under Ohio Rev. Code § 4504.15. This money was incorrectly recorded as Property and Other Local Taxes instead of Intergovernmental in the amount of \$2,023 in the Permissive Motor Vehicle License Tax Fund.

**FINDING NUMBER 2018-001
 (Continued)**

Failure to properly record financial activity could lead to material financial statement errors and misleading financial statement information. Policies and procedures should be developed and implemented to verify that all financial activity is recorded correctly. To assist in this process, the Village should review the Uniform Accounting Network (UAN) chart of accounts.

Officials' Response:

Procedures and corrections are being made.

FINDING NUMBER 2018-002

Material Weakness

Sound accounting practices require accurately posting appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger. The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system.

The appropriations (and/or amendments thereof) approved by Council were not properly posted to the financial accounting system as follows:

Fund	2017 Permanent Appropriations Approved as of December 29, 2016	Appropriations Posted to UAN Accounting System as of January 1, 2017	Variance
Street Construction Maint & Repair	\$90,241	\$65,922	\$(24,319)

Fund	Approved Appropriations as of December 31, 2017	Appropriations Posted to UAN Accounting System as of December 31, 2017	Variance
General	\$231,143	\$314,693	\$83,550
Street Construction Maint & Repair	\$80,261	\$85,294	\$5,033
State Highway	\$17,257	\$18,729	\$1,472
Water Operating	\$230,558	\$233,865	\$3,307
Sewer	\$218,186	\$338,912	\$120,726
Storm Sewer	\$15,000	\$45,000	\$30,000

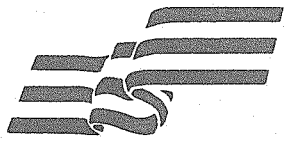
Fund	Approved Appropriations as of December 31, 2018	Appropriations Posted to UAN Accounting System as of December 31, 2018	Variance
General Fund	\$806,084	\$790,357	\$(15,727)
Street Construction Maint & Repair	\$72,283	\$114,283	\$42,000
Water Operating	\$175,270	\$597,270	\$422,000
Sewer	\$345,787	\$348,787	\$3,000

**FINDING NUMBER 2018-002
(Continued)**

Failure to properly post appropriations to the accounting system could result in overspending and negative cash balances. To effectively control the budgetary cycle and to maintain accountability over expenditures, the Village should post to the ledgers, on a timely basis, appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure appropriations have been properly posted to the ledgers.

Officials' Response:

Procedures and corrections are being made.



Village of New Madison

Incorporated 1845



P.O. BOX 15
124 SOUTH HARRISON STREET
NEW MADISON, OHIO 45346-0015

PHONE (937) 996-0298

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code § 5705.41(B), could not determine if expenditures did not exceed appropriations for 2015	Partially Corrected	Re-issued as management letter citation Corrections in process
2016-002	Bank reconciliations were not properly completed	Fully Corrected	
2016-003	Ohio Rev. Code § 5705.40, appropriations were not properly posted to the accounting system	Not Corrected	Re-issued as Finding 2018-002 Corrections in process
2016-004	Ohio Rev. Code § 5705.39, appropriations exceeded estimated resources	Fully Corrected	
2016-005	The Village's financial statements included numerous errors	Not Corrected	Re-issued as Finding 2018-001 Corrections in process
2016-006	The Village did not properly allocate gas tax receipts, motor vehicle license tax receipts, and state and local government highway distribution receipts	Fully Corrected	
2016-007	The Village was late in remitting federal, state, and school district income taxes and filing the quarterly tax reports	Fully Corrected	
2016-008	Finding for recovery for failing to timely remit federal, state, and school district income taxes	Fully Corrected	
2016-009	There were various weaknesses related to income tax administration	Fully Corrected	
2016-010	Finding for recovery for payments deemed not for a proper public purpose	Fully Corrected	
2016-011	Fund balances were not classified in accordance with GASB 54	Partially Corrected	Re-issued as management letter recommendation Corrections in process
2016-012	Ohio Rev. Code § 5705.36, the Village failed to obtain a Certificate of Estimated Resources for 2015 and an amended Certificate of Estimated Resources for 2016	Fully Corrected	

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF NEW MADISON

DARKE 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
MARCH 19, 2020**