



Dave Yost • Auditor of State

**Village of Newcomerstown
Tuscarawas County**

Fiscal Emergency Termination

Local Government Services

Village of Newcomerstown, Tuscarawas County

Fiscal Emergency Termination

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For the Years Ending December 31, 2016 through December 31, 2020

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CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the Village of Newcomerstown, the Auditor of State performed an analysis of the Village of Newcomerstown to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the Village of Newcomerstown no longer meets the fiscal emergency conditions set forth in Section 118.03 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the Village of Newcomerstown and its role in the operation of the Village of Newcomerstown is terminated as of June 13, 2016.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Patrick Cadle, Mayor and Presiding Officer of Council of the Village of Newcomerstown; John Kasich, Governor; Timothy Keen, Director of the Office of Budget and Management; Josh Mandel, Treasurer of State; Jon Husted, Secretary of State; and Larry Lindberg, Tuscarawas County Auditor.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST
Auditor of State

June 13, 2016

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Village of Newcomerstown, Tuscarawas County
Report on the Termination of the Village of Newcomerstown
Financial Planning and Supervision Commission

Report on the Termination of the Newcomerstown Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission (the Commission) of the Village of Newcomerstown, Tuscarawas County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Revised Code should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, and no new fiscal emergency conditions have occurred; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”.

Results of our work under Section 118.27(A) of the Revised Code are as follows:

Pages six through twelve of the report indicate that the Village has effectively implemented corrections to its financial accounting and reporting system in accordance with Section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under Section 118.04 of the Revised Code. This analysis can be found beginning on page twelve.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with Section 118.06 of the Revised Code. Specific conclusions can be found on page seventeen.

We examined and issued a non-adverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated.

It is understood that this report’s determination is for the use of the Financial Planning and Supervision Commission of the Village of Newcomerstown, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the Village of Newcomerstown, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

Village of Newcomerstown, Tuscarawas County
Report on the Termination of the Village of Newcomerstown
Financial Planning and Supervision Commission

Section 1 - Financial Accounting and Reporting System

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of Newcomerstown (the Village) and issued a Report on Accounting Methods, dated September 24, 2015. The report identified areas where the Village's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report on Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct these issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary System

Auditor of State Comment from Report on Accounting Methods

Pursuant to Section 5705.10, Revised Code, money paid into any fund of the Village shall be used only for the purposes for which such fund is established. During 2011, 2012, 2013, and 2014 the Village had deficit cash balances in various funds. These funds included general, cemetery, park, police pension, sewage, and water well field funds. The Village should no longer use the money from one fund to pay the obligations of another fund with a deficit.

Implemented

As of December 31, 2015, the Village no longer has a deficit cash balance in any fund. All money levied and collected is being credited to the proper fund and used to pay the obligations of that fund only.

Auditor of State Comment from Report on Accounting Methods

Pursuant to Section 5705.41(B), Revised Code, the Village should not make any expenditure of money unless it has been appropriated. During 2012 and 2013, the Village had expenditures plus encumbrances that exceeded the Village Council adopted appropriations. The Village should only spend and encumber money within the amount of adopted appropriations.

Implemented

During 2015, the Village only spent and encumbered money within the amount of Village Council adopted appropriations.

Village of Newcomerstown, Tuscarawas County
Report on the Termination of the Village of Newcomerstown
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

Village Council adopts appropriations as needed, but amended certificates of estimated resources are requested periodically. Pursuant to Section 5705.39, Revised Code, appropriations should be limited to the estimated resources reflected on the amended certificate at the time of adoption. Prior to appropriating the additional or new resources, the Fiscal Officer should request an amended certificate from the County Budget Commission based on reasonable estimates and/or actual receipts.

Implemented

During 2015, the Village only appropriated amounts in each fund equal to or less than the amount of revenue certified by the budget commission as available to spend in each fund.

Accounting Journals and Ledgers

Auditor of State Comment from Report on Accounting Methods

The Village does not have a written disaster recovery plan for the restoration of operations in the event of a serious incident. A disaster recovery plan should be adopted by Village Council. Included in this plan should be procedures regarding backup tapes, such as keeping them at a location separate from computer and servers.

Implemented

Village Council passed Ordinance 05-2016 on March 7, 2016. The Ordinance set forth a disaster recovery plan that includes backup procedures and the storage of files backed up at a location separate from the computers and servers.

Receipt Transactions

Auditor of State Comment from Report on Accounting Methods

According to Revised Code Section 9.38, all monies must be remitted to the Fiscal Officer by the next business day after receipt. If the amount is less than \$1,000 and a policy is specifically adopted outlining the procedures, the monies can be held up to a maximum of three business days after the day of receipt. The Police Department remits funds received to the Fiscal Officer on a weekly basis. The Village should institute a specific policy outlining how many days cash may be held, up to a maximum of three, and relevant procedures.

Implemented

Village Council passed Ordinance 19-2015 on November 2, 2015. The Ordinance set policies for remittance and deposit that are in line with Revised Code Section 9.38.

Auditor of State Comment from Report on Accounting Methods

The Village does not have a policy in place that addresses the safeguard of public monies until they are deposited. According to Revised Code Section 9.38, the Village should have a policy in place that addresses the safeguard of public monies until they are deposited. This policy should provide for effective storage on Village property of these funds.

Village of Newcomerstown, Tuscarawas County
Report on the Termination of the Village of Newcomerstown
Financial Planning and Supervision Commission

Implemented

Village Council passed Ordinance 19-2015 on November 2, 2015. In addition to setting policies for remittance and deposit of funds, it also sets policies for the safeguard of money, including placing the money in a safe prior to remittance.

Auditor of State Comment from Report on Accounting Methods

Water and Sewer Department receipts are posted in a monthly lump sum amount one month in arrears. Water and Sewer Department receipts should be posted at least on a weekly basis.

Implemented

It has been found that posting Water and Sewer receipts weekly would place an undue burden on the Village and that doing so has an unfavorable cost-benefit. Water and Sewer receipts are now being posted twice a month.

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer only receipts wire transfers into the accounting system once per month by checking the bank account prior to reconciling. The bank account should be checked at least weekly for wire transfers that need to be receipted.

Implemented

The Fiscal Officer now checks for wire transfers into the Village bank account on a weekly basis and receipts them into the system.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods

Section 5705.41(D) of the Revised Code provides that no expenditures of money shall take place without prior authorization. Requisitions and purchase orders are approved after an invoice has already been received. The requisition and purchase order should be dated, prepared with all the necessary information and approved prior to obligations being incurred. Obligations incurred without prior certification may be certified with a then and now certification.

Implemented

The Village now utilizes requisitions and purchase orders prior to incurring most obligations. Obligations without prior certification are certified with a then and now certification.

Auditor of State Comment from Report on Accounting Methods

Village Council has not passed a resolution setting the amount of blanket purchase orders as required by Section 5705.41(D) of the Ohio Revised Code. Blanket purchase orders used without Village Council having set a limit are not valid because the Village does not have the authority to use blanket purchase orders. Village Council should establish, by resolution, the maximum amount for blanket purchase orders to be issued by the Fiscal Officer.

Village of Newcomerstown, Tuscarawas County
Report on the Termination of the Village of Newcomerstown
Financial Planning and Supervision Commission

Implemented

On February 15, 2016, Village Council passed Resolution 04-2016, which authorizes the Fiscal Officer to create blanket purchase orders as well as super blanket purchase orders. The Resolution also sets the maximum amount of purchase orders the Fiscal Officer can create, in accordance with Section 5705.41(D) of the Ohio Revised Code.

Auditor of State Comment from Report on Accounting Methods

The Village does not use the Auditor of State Findings for Recovery Database when adding new vendors. Section 9.24 of the Revised Code prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State if that finding is unresolved.

Implemented

The Village Fiscal Officer now checks the Auditor of State Findings for Recovery Database whenever a new vendor is added.

Auditor of State Comment from Report on Accounting Methods

Bidders for capital projects are not required to certify that they are aware of and in compliance with Revised Code Section 3517.13 regarding campaign contributions or that they are not in the Auditor of State Findings for Recovery Database. Bidders should be required to certify in some way that they are aware of and in compliance with Revised Code Section 3517.13 regarding campaign contributions and that they are not in the Auditor of State Findings for Recovery Database when the bids are submitted.

Implemented

The Village has added an affidavit to the bid packets requiring the bidders to certify that they are in compliance with Revised Code Section 3517.13 regarding campaign contributions. The Village will search the Auditor of State Findings for Recovery Database for each bidder when bids are submitted.

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer does not verify that new vendors have a W-9 on file. All vendors used by the Village should have a current W-9 on file before a purchase is made. The Village should have all new vendors fill out the IRS Form W-9 with all required information and the Fiscal Officer should approve the vendor before the Village makes purchases.

Implemented

The Village now requires a W-9 be on file for all new vendors before making a purchase.

Auditor of State Comment from Report on Accounting Methods

The original purchase order is not sent to the vendor. The purchase order should be mailed or faxed to the vendor.

Implemented

The Village now sends the original purchase order to the appropriate vendor.

Village of Newcomerstown, Tuscarawas County
Report on the Termination of the Village of Newcomerstown
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The Village does not have a formal purchasing policy and purchasing procedures for the Village are not documented. A purchasing policy for the Village should be developed, adopted by ordinance, and distributed to all departments.

Implemented

The Village passed Ordinance 11-2015 on July 20, 2015. The Ordinance established a purchasing policy that was distributed to all Village departments.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods

The signature block is not cut out of checks when they are voided. The signature block should be cut out of voided checks before being stored.

Implemented

The signature block is now cut out of checks when they are voided.

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer receives only verbal confirmation from department heads that invoices are okay to pay. A policy should be implemented requiring signed documentation from department heads for an invoice to be paid.

Implemented

The Fiscal Officer now receives a form from the department head stating that the related invoice is okay to pay.

Auditor of State Comment from Report on Accounting Methods

There is no contingency plan in place for when the Fiscal Officer is unable to perform her job duties. A policy should be implemented for how the Village will operate in this situation.

Implemented

The Village has developed and implemented a policy that outlines the steps that are to be taken if the Fiscal Officer is unable to perform her job duties.

Payroll Processing

Auditor of State Comment from Report on Accounting Methods

There is no segregation of duties as the Fiscal Officer is the only one who processes and verifies payroll and is responsible for making rate adjustments and changes to the employee master file.

Village of Newcomerstown, Tuscarawas County
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Financial Planning and Supervision Commission

Implemented

A Village Council member double-checks each payroll and signs the time sheets in order to provide some oversight since there is no one else in the Fiscal Officer's office to delegate duties.

Inventory of Capital Assets

Auditor of State Comment from Report on Accounting Methods

Although the Village had an appraisal in 2015, it had been a number of years since the previous appraisal had been completed. The Village should develop, approve, and implement a policy to ensure that the asset listing is updated annually. The listing may be updated by Village personnel recording assets added or deleted during the year or by contracting for an outside appraisal.

Implemented

Village Council passed Ordinance 01-2016 on January 18, 2016, which outlines policies and procedures for documenting the acquisition and disposal of capital assets held by the Village, and continuously updating a capital asset listing.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods

The investment policy on file with the Auditor of State has not been signed by the current Fiscal Officer. The investment policy should be updated and submitted to the Auditor of State with the current Fiscal Officer's signature.

Implemented

The investment policy on file with the Auditor of State has been updated with a new policy that was passed by Council and signed by the current Fiscal Officer.

Auditor of State Comment from Report on Accounting Methods

The Village does not have written procedures for petty cash and replenishment of it. The Fiscal Officer is the custodian of all funds. Written procedures should be developed for the petty cash which includes the individual designated as the custodian, and the custodian's duties and responsibilities.

Implemented

The Village passed Ordinance 10-2015 on July 20, 2015. The Ordinance provides for petty cash funds and procedures for their use and replenishment.

Auditor of State Comment from Report on Accounting Methods

The Village does not include the amount of petty cash and change funds maintained within Village offices on the monthly reconciliations. The petty cash and change funds should be included on the Village's monthly reconciliation.

Village of Newcomerstown, Tuscarawas County
Report on the Termination of the Village of Newcomerstown
Financial Planning and Supervision Commission

Implemented

Petty cash and change funds are now included on the monthly reconciliation.

Financial Reporting

Auditor of State Comment from Report on Accounting Methods

In accordance with Section 117.38 of the Revised Code, the Village is required to file, within sixty days after the close of the year, an annual financial report. The Village completed and filed the annual report as required; however, the publication was not within the required time frame.

Implemented

The Village completed and filed its 2015 report on time on February 26, 2016.

Recording Official Proceedings

Auditor of State Comment from Report on Accounting Methods

Section 149.43(E)(1) of the Revised Code requires that all employees of public offices are appropriately educated about a public office's obligations under division (B) of this section, all elected officials or their appropriate designees shall attend training provided by the Attorney General as provided in Section 149.43 of the Revised Code. Village Council members or their designee should obtain public records training for each term of office. If a designee is appointed, evidence of the designation should be formally documented.

Implemented

Public records training was hosted by the Village and completed with the Fiscal Officer acting as designee for officials that were unable to attend.

Audit Report

The Village Council and Officials receive a compliance and management letter at the conclusion of each audit. The letter that accompanied the December 31, 2013 audit identified a number of noncompliance issues and several recommendations.

The findings in the audit related to the timing of expenditures and the proper amendment of appropriations, as well as issues with deficit funds and depositing funds in a timely manner. The Village has addressed these issues as part of their work to correct the Report on Accounting Methods comments. All of these items have been corrected.

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(2) of the Ohio Revised Code, the Village shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

Village of Newcomerstown, Tuscarawas County
Report on the Termination of the Village of Newcomerstown
Financial Planning and Supervision Commission

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

A summary of the Village's outstanding debt as of March 31, 2016, is as follows:

Debt Issue	Year Issued	Interest Rate	Issue Amount
Governmental Activities			
OPWC Loan - State and Goodrich Street Improvement	2005	0.00%	\$183,391
OPWC Loan - Canal Street Improvements	2005	0.00	124,500
Business-Type Activities			
OPWC Loan - County Road 15 Pump Station	2007	0.00	45,000
OPWC Loan - Sewage Collection System Improvements	2015	0.00	195,385
OWDA Loan - Water Treatment Plant	1997	2.00	1,506,553
OWDA Loan - Wastewater Treatment Plant Improvements I	2003	2.00	1,166,795
OWDA Loan - Wastewater Treatment Plant Improvements II	2005	1.00	3,066,361
OWDA Loan - County Road 15 Pump Station	2008	1.00	900,947

We reviewed the outstanding indebtedness as of March 31, 2016. The Village had \$3,368,610 in outstanding debt at March 31, 2016, and had made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code. No default on any debt obligation for more than thirty days existed at March 31, 2016.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or
- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We reviewed the payroll records of the Village as of March 31, 2016. We reviewed Council minutes, ordinances, resolutions, and had discussions with the Fiscal Officer to determine the employees of the Village, pay rates, frequency of payroll, and whether any extensions for the payment of payroll existed. We reviewed the payroll reports and the payroll bank statement to determine whether Village employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and there were sufficient fund balances to cover payroll.

Village of Newcomerstown, Tuscarawas County
Report on the Termination of the Village of Newcomerstown
Financial Planning and Supervision Commission

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Revised Code as of March 31, 2016. All employees have been paid in amounts and at the times required by ordinance.

Condition Three - Increase in Minimum Tax Levy

Section 118.03(A)(3) of the Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Tuscarawas County Auditor whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the Village for 2015, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Tuscarawas County Auditor indicated that the Budget Commission had not taken any action for tax year 2015 to increase the inside millage of the Village.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as of March 31, 2016.

Condition Four - Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year end balance in the general fund and in the respective special funds lawfully available to pay such accounts, excluded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

The general fund had no accounts payable at March 31, 2016 that had been due and payable at least thirty days. We prepared a schedule of accounts payable (as defined above) as of March 31, 2016, for all funds that were due and payable for at least thirty days or to which a penalty had been added for failure to pay as of March 31, 2016, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties. From this amount, we subtracted the year-end fund balance available to pay such outstanding bills. We then determined if the accounts payable in excess of the available fund balance exceeded one-sixth of the available revenues during 2015, excluding non-recurring receipts of all special funds from which such accounts are lawfully payable. No funds of the Village had a payable over 30 days past due at March 31, 2016.

Village of Newcomerstown, Tuscarawas County
Report on the Termination of the Village of Newcomerstown
Financial Planning and Supervision Commission

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code as of March 31, 2016. There were no payables over thirty days past due.

Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at March 31, 2016, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code, as there were no deficit fund balances at March 31, 2016.

Condition Six - Treasury Balances

Section 118.03(A)(6) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village's reconciled bank balance to its cash summary by fund for all funds as of March 31, 2016, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all fund cash balances.

Village of Newcomerstown, Tuscarawas County
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 Financial Planning and Supervision Commission

Schedule I

Treasury Balances
 Ohio Revised Code Section 118.03(A)(6)
 As of March 31, 2016

	Amounts at March 31, 2016
Bank Cash Balance	
General Account	\$2,955,523
Cemetery Trust Account	7,060
Payroll Account	83,049
Certificates of Deposit	1,281,400
Petty Cash	715
<i>Total Bank Cash</i>	<i>4,327,747</i>
<i>Adjustments for:</i>	
Outstanding Checks	(28,789)
Other	18
<i>Total Adjustments</i>	<i>(28,771)</i>
<i>Total Treasury Balance</i>	<i>4,298,976</i>
Less: Positive Cash Fund Balances	
General	854,001
Street Maintenance	101,464
State Highway	57,705
Cemetery	26,687
Park	11,641
Permissive Motor Vehicle	98,937
Street Levy	831,516
Police Pension	4,027
Police Training	21,724
Downtown Revitalization	13
Drug Law Enforcement	4,479
Computer	1,376
Pokice	531,048
Capital Improvement	14,257
Cy Young Park Improvements	6,989
Water	246,761
Sewage	119,902
Water Replacement & Improvement	89,086
Sewage Replacement & Improvement	1,227,919
Water Well Field	240
Street Open Trust	2,447
Cemetery Expendable Trust	46,757
<i>Total Positive Balances</i>	<i>4,298,976</i>
Treasury Deficiency	<u>\$0</u>

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of March 31, 2016. The treasury balance less the positive fund cash balances as of March 31, 2016, did not exceed one-sixth of the treasury receipts for the year.

Section 3 - Financial Plan Objectives

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

Section 4 - Financial Forecast

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under Section 118.27(A)(3)(d) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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APPENDIX A

**Village of Newcomerstown
Tuscarawas County**

Financial Forecast

For the Years Ending December 31, 2016 through December 31, 2020

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Village of Newcomerstown, Ohio

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Village Council
Village of Newcomerstown
124 West Church Street
Newcomerstown, Ohio 43832

Based upon the requirement set forth in section 118.27(A)(3)(d) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures, and changes in fund balance of the various funds of the Village of Newcomerstown, for the five years ending December 31, 2020. These statements are presented on the budget basis of accounting used by the Village of Newcomerstown rather than on generally accepted accounting principles. The Village of Newcomerstown's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the Village of Newcomerstown and the Financial Planning and Supervision Commission of Newcomerstown and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST
Auditor of State

April 12, 2016

Village of Newcomerstown - Tuscarawas County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2013, Through 2015, Actual
and Ending December 31, 2016, Through 2020, Forecasted
General Fund

	2013 Actual	2014 Actual	2015 Actual	2016 Forecasted	2017 Forecasted
Revenues					
Property and Other Local Taxes	\$165,949	\$169,472	\$159,426	\$156,546	\$160,127
Municipal Income Taxes	753,483	817,403	949,640	910,275	910,275
Charges for Services	3,404	0	368	2,000	2,000
Fines, Licenses and Permits	30,014	26,647	39,339	32,000	32,000
Intergovernmental	312,958	95,379	136,988	78,399	79,150
Interest	400	0	0	500	500
Contributions and Donations	0	0	1,000	1,500	1,500
Other	36,885	33,228	19,910	30,008	30,008
Total Revenues	1,303,093	1,142,129	1,306,671	1,211,228	1,215,560
Expenditures					
Current:					
Police					
Personal Services	180,021	190,572	202,444	0	0
Fringe Benefits	50,608	54,339	86,523	0	0
Contractual Services	21,199	29,012	39,425	0	0
Materials and Supplies	16,057	14,071	15,798	0	0
Capital Outlay	0	0	8,933	0	0
Total Police	267,885	287,994	353,123	0	0
Fire					
Contractual Services	65,000	65,000	65,000	65,000	65,000
Street Lighting					
Contractual Services	34,974	35,372	31,312	33,886	33,886
Dispatch					
Personal Services	97,145	94,427	97,650	0	0
Fringe Benefits	49,601	37,499	38,762	0	0
Contractual Services	0	20	0	0	0
Total Dispatch	146,746	131,946	136,412	0	0
Public Health Services					
Contractual Services	876	1,500	873	1,745	1,745
Refuse Contract					
Contractual Services	2,710	1,700	3,800	3,850	0
Mayor					
Personal Services	34,888	25,869	9,990	30,592	32,251
Fringe Benefits	9,559	5,568	571	6,036	6,363
Contractual Services	1,811	1,929	1,254	1,750	1,750
Materials and Supplies	484	231	527	414	414
Total Mayor	\$46,742	\$33,597	\$12,342	\$38,792	\$40,778

2018 Forecasted	2019 Forecasted	2020 Forecasted
\$161,804	\$163,498	\$165,209
910,275	910,275	910,275
2,000	2,000	2,000
32,000	32,000	32,000
79,976	80,885	81,885
500	500	500
1,500	1,500	1,500
30,008	30,008	30,008
<u>1,218,063</u>	<u>1,220,666</u>	<u>1,223,377</u>
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
65,000	65,000	65,000
<u>33,886</u>	<u>33,886</u>	<u>33,886</u>
0	0	0
0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
1,745	1,745	1,745
<u>0</u>	<u>0</u>	<u>0</u>
32,402	32,402	32,402
6,393	6,393	6,393
1,750	1,750	1,750
414	414	414
<u>\$40,959</u>	<u>\$40,959</u>	<u>\$40,959</u>

(continued)

Village of Newcomerstown - Tuscarawas County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2013, Through 2015, Actual
and Ending December 31, 2016, Through 2020, Forecasted
General Fund (continued)

	2013 Actual	2014 Actual	2015 Actual	2016 Forecasted	2017 Forecasted
Council					
Personal Services	\$7,200	\$7,212	\$7,200	\$7,300	\$7,300
Fringe Benefits	761	832	1,571	1,441	1,441
Contractual Services	0	0	0	200	200
Materials and Supplies	0	25	21	23	23
Total Council	<u>7,961</u>	<u>8,069</u>	<u>8,792</u>	<u>8,964</u>	<u>8,964</u>
Fiscal Officer					
Personal Services	9,392	27,496	37,476	38,002	38,002
Fringe Benefits	1,523	8,451	16,875	20,776	22,104
Contractual Services	18,747	9,725	10,956	13,343	13,343
Materials and Supplies	1,837	2,018	2,514	2,514	2,514
Total Fiscal Officer	<u>31,499</u>	<u>47,690</u>	<u>67,821</u>	<u>74,635</u>	<u>75,963</u>
Other General Government					
General Other Salaries	0	0	3,732	7,495	7,495
Solicitor's Salary	20,000	20,101	19,999	20,000	20,000
Fringe Benefits	3,828	3,333	9,623	10,100	10,568
Contractual Services	135,506	193,166	116,262	123,782	123,782
Materials and Supplies	2,476	3,465	3,183	3,324	3,324
Landfill	30,300	9,310	27,297	30,000	30,000
Capital Outlay	0	175	1,915	10,000	35,000
Miscellaneous	1,728	0	0	0	0
Total Other General Government	<u>193,838</u>	<u>229,550</u>	<u>182,011</u>	<u>204,701</u>	<u>230,169</u>
Total Expenditures	<u>798,231</u>	<u>842,418</u>	<u>861,486</u>	<u>431,573</u>	<u>456,505</u>
Excess of Revenue Over Expenditures	504,862	299,711	445,185	779,655	759,055
Other Financing Uses					
Transfers Out	<u>(27,656)</u>	<u>(200,000)</u>	<u>(40,000)</u>	<u>(640,000)</u>	<u>(650,000)</u>
Changes in Fund Balance	477,206	99,711	405,185	139,655	109,055
Fund Balance Beginning of Year	<u>191,812</u>	<u>669,018</u>	<u>768,729</u>	<u>1,173,914</u>	<u>1,313,569</u>
Fund Balance End of Year	<u>\$669,018</u>	<u>\$768,729</u>	<u>\$1,173,914</u>	<u>\$1,313,569</u>	<u>\$1,422,624</u>

2018 Forecasted	2019 Forecasted	2020 Forecasted
\$7,300	\$7,300	\$7,300
1,441	1,441	1,441
200	200	200
23	23	23
8,964	8,964	8,964
38,002	39,333	39,998
23,565	25,434	27,333
13,343	13,343	13,343
2,514	2,514	2,514
77,424	80,624	83,188
7,495	7,495	7,641
20,000	20,000	20,000
11,082	11,648	12,299
123,782	123,782	123,782
3,324	3,324	3,324
30,000	30,000	30,000
5,000	11,667	11,944
0	0	0
200,683	207,916	208,990
428,661	439,094	442,732
789,402	781,572	780,645
(650,000)	(657,812)	(661,172)
139,402	123,760	119,473
1,422,624	1,562,026	1,685,786
<u>\$1,562,026</u>	<u>\$1,685,786</u>	<u>\$1,805,259</u>

Village of Newcomerstown - Tuscarawas County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2013, Through 2015, Actual
and Ending December 31, 2016, Through 2020, Forecasted
Cemetery Fund

	2013 Actual	2014 Actual	2015 Actual	2016 Forecasted	2017 Forecasted
Revenues					
Charges for Services	\$32,187	\$34,354	\$34,400	\$33,647	\$33,647
Rent	0	3,992	3,715	3,854	3,854
Other	2,754	475	1,000	1,000	1,000
Total Revenues	34,941	38,821	39,115	38,501	38,501
Expenditures					
Current:					
Cemetery					
Personal Services	22,341	20,916	31,997	35,110	35,110
Fringe Benefits	9,386	3,384	22,993	21,120	22,540
Contractual Services	5,271	3,947	6,892	6,827	6,827
Materials and Supplies	9,851	5,885	4,795	5,340	5,340
Total Expenditures	46,849	34,132	66,677	68,397	69,817
<i>Excess of Revenue Over (Under) Expenditures</i>	(11,908)	4,689	(27,562)	(29,896)	(31,316)
Other Financing Sources					
Transfers In	0	180,000	30,000	30,000	30,000
Changes in Fund Balance	(11,908)	184,689	2,438	104	(1,316)
<i>Fund Balance (Deficit) Beginning of Year</i>	(166,635)	(178,543)	6,146	8,584	8,688
<i>Fund Balance (Deficit) End of Year</i>	(\$178,543)	\$6,146	\$8,584	\$8,688	\$7,372

2018 Forecasted	2019 Forecasted	2020 Forecasted
\$33,647	\$33,647	\$33,647
3,854	3,854	3,854
1,000	1,000	1,000
<u>38,501</u>	<u>38,501</u>	<u>38,501</u>
35,110	41,640	39,076
24,051	27,051	28,430
6,827	6,827	6,827
5,340	5,340	5,340
<u>71,328</u>	<u>80,858</u>	<u>79,673</u>
(32,827)	(42,357)	(41,172)
<u>30,000</u>	<u>37,812</u>	<u>41,172</u>
(2,827)	(4,545)	0
<u>7,372</u>	<u>4,545</u>	<u>0</u>
<u>\$4,545</u>	<u>\$0</u>	<u>\$0</u>

Village of Newcomerstown - Tuscarawas County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2013, Through 2015, Actual
and Ending December 31, 2016, Through 2020, Forecasted
Park Fund

	2013 <u>Actual</u>	2014 <u>Actual</u>	2015 <u>Actual</u>	2016 <u>Forecasted</u>	2017 <u>Forecasted</u>
Revenues					
Property and Other Local Taxes	\$0	\$0	\$15,000	\$15,000	\$10,000
Charges for Services	2,230	25,781	34,875	30,328	30,328
Contributions and Donations	0	21,700	5,000	2,500	2,500
Other	0	8	174	150	150
Total Revenues	<u>2,230</u>	<u>47,489</u>	<u>55,049</u>	<u>47,978</u>	<u>42,978</u>
Expenditures					
Current:					
Leisure Time Activities					
Personal Services	10,386	15,275	22,269	28,740	28,740
Fringe Benefits	1,619	1,968	3,621	5,670	5,670
Contractual Services	8,016	8,510	14,404	9,715	9,715
Materials and Supplies	5,916	4,719	5,949	5,403	5,403
Total Expenditures	<u>25,937</u>	<u>30,472</u>	<u>46,243</u>	<u>49,528</u>	<u>49,528</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	(23,707)	17,017	8,806	(1,550)	(6,550)
Other Financing Sources					
Transfers In	<u>27,656</u>	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>
<i>Changes in Fund Balance</i>	3,949	17,017	8,806	8,450	3,450
<i>Fund Balance (Deficit) Beginning of Year</i>	<u>(20,766)</u>	<u>(16,817)</u>	<u>200</u>	<u>9,006</u>	<u>17,456</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>(\$16,817)</u></u>	<u><u>\$200</u></u>	<u><u>\$9,006</u></u>	<u><u>\$17,456</u></u>	<u><u>\$20,906</u></u>

2018 Forecasted	2019 Forecasted	2020 Forecasted
\$10,000	\$10,000	\$10,000
30,328	30,328	30,328
2,500	2,500	2,500
150	150	150
<u>42,978</u>	<u>42,978</u>	<u>42,978</u>
28,740	28,740	28,740
5,670	5,670	5,670
9,715	9,715	9,715
5,403	5,403	5,403
<u>49,528</u>	<u>49,528</u>	<u>49,528</u>
(6,550)	(6,550)	(6,550)
<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
3,450	3,450	3,450
<u>20,906</u>	<u>24,356</u>	<u>27,806</u>
<u>\$24,356</u>	<u>\$27,806</u>	<u>\$31,256</u>



Village of Newcomerstown - Tuscarawas County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2013, Through 2015, Actual
and Ending December 31, 2016, Through 2020, Forecasted
Police Fund

	2013 Actual	2014 Actual	2015 Actual	2016 Forecasted	2017 Forecasted
Revenues					
Property and Other Local Taxes	\$0	\$0	\$0	\$71,920	\$70,000
Expenditures					
Current:					
Security of Persons and Property					
Personal Services	0	0	0	380,428	382,887
Fringe Benefits	0	0	0	189,311	200,405
Contractual Services	0	0	0	38,386	38,386
Materials and Supplies	0	0	0	15,308	15,308
Capital Outlay	0	0	0	20,000	20,000
<i>Total Expenditures</i>	0	0	0	643,433	656,986
<i>Excess of Revenues Under</i>	0	0	0	(571,513)	(586,986)
Other Financing Sources					
Transfers In	0	0	0	600,000	600,000
<i>Changes in Fund Balance</i>	0	0	0	28,487	13,014
<i>Fund Balance Beginning of Year</i>	0	0	0	0	28,487
<i>Fund Balance End of Year</i>	\$0	\$0	\$0	\$28,487	\$41,501

<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Forecasted</u>	<u>Forecasted</u>	<u>Forecasted</u>
<u>\$70,000</u>	<u>\$70,000</u>	<u>\$70,000</u>
403,517	380,164	382,934
211,595	219,572	234,023
38,386	38,386	38,386
15,308	15,308	15,308
<u>20,000</u>	<u>15,000</u>	<u>10,000</u>
<u>688,806</u>	<u>668,430</u>	<u>680,651</u>
(618,806)	(598,430)	(610,651)
<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
(18,806)	1,570	(10,651)
<u>41,501</u>	<u>22,695</u>	<u>24,265</u>
<u>\$22,695</u>	<u>\$24,265</u>	<u>\$13,614</u>

Village of Newcomerstown – Tuscarawas County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2016, through 2020

Note 1 - The Village

The Village of Newcomerstown (the Village) is located in Tuscarawas County, Ohio. The Village is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Operating as a statutory village, Newcomerstown must comply with all State laws regulating village government. The decision making process is directed by an elected Village Council and Mayor. The Village Council is the legislative authority of the Village and consists of six members who are elected at large and serve terms of four years. The Mayor is the chief executive officer of the Village and serves a term of four years.

On October 11, 2012, the Auditor of State's office declared the Village of Newcomerstown to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the Village, Council President, three individuals whose residency or principal place of business is within the Village, and a designee from both the State Treasurer's Office and the Office of Budget and Management. The Village has 120 days after the first meeting of the Commission to approve a financial recovery plan. Once the plan has been adopted, the Village's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

The Village of Newcomerstown provides various services and consists of many different activities and smaller accounting entities. Among those included are a police force, a sewage treatment plant, a water treatment plant, a street maintenance force, a park and recreation system, and a staff to provide the necessary support to these service providers. Each of these activities and entities is under the direct control of Village Council, which appropriates for, and finances, their operation. The administration includes the Mayor and the Fiscal Officer.

Note 2 - Nature of Presentation

This financial forecast presents, to the best of the Village's knowledge and belief, the expected revenues, expenditures, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village's judgment, as of April 12, 2016, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the Village. These funds include the general fund, cemetery fund, park fund, and police fund.

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Village of Newcomerstown – Tuscarawas County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2016, through 2020

B. Fund Accounting

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

Governmental Funds

General Fund - The General Fund is the operating fund of the Village and is used to account for and report all financial resources, except those required to be 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 in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

Debt Service Funds - Debt service funds are used to account for and report resources that are restricted, committed, or assigned to the disbursement of principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for and report resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital assets (other than those financed by the enterprise funds).

Permanent Funds - Permanent funds account for and report financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the Village or its residents.

Proprietary Funds

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the Village on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Village’s own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis

Village of Newcomerstown – Tuscarawas County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2016, through 2020

of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the Village, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriations for the full year are not ready for approval by Village Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Note 4 - General Revenue Assumptions - All Funds

A. Property Taxes

Property tax revenues consist of real property, public utility real and personal property. The Village may request advances from the Tuscarawas County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”.

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2012 for taxes collected in 2013. The last triennial update took place in 2015 for taxes to be collected in 2016 with the next reappraisal scheduled for 2018. The Village’s assessed values upon which property tax receipts were based for the last four years are as follows:

Village of Newcomerstown – Tuscarawas County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2016, through 2020

Class of Property	2013	2014	2015	2016
Real Property	\$43,289,698	\$44,989,830	\$45,187,920	\$45,585,150
Public Utility	2,633,022	2,736,430	2,758,540	2,945,880
Total Assessed Value	<u>\$45,922,720</u>	<u>\$47,726,260</u>	<u>\$47,946,460</u>	<u>\$48,531,030</u>

The property tax revenues are generated from the inside and voted millage and receipted into the general fund and the police special revenue fund.

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Fund	Tax Levies	Full Tax Rate (Per \$1,000 of Assessed Valuation)
General Fund	Inside Ten Mill Limitation (Unvoted)	\$2.50
Police Fund	Continuing Operating Levy (2015)	<u>1.50</u>
Total Tax Rate		<u>\$4.00</u>

Public utility real taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies. More information on property tax revenue is included in Note 5.

B. Municipal Income Taxes

The Village levies a municipal income tax of two percent on all income earned within the Village as well as on income of residents earned outside the Village. The Village allows credit for income taxes paid to another municipality at rate of 100 percent. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a final return annually.

The Village implemented the tax and began collection on January 1, 1972.

All income tax revenue is credited to the general, street levy, and sewer funds and is used to pay the cost of administering the tax and for the operations of the funds. Income tax revenues are expected to remain steady just below the 2015 amount due to conservative estimation.

C. Intergovernmental Revenues

State law grants tax relief in the form of a 10 percent reduction in residential real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the Village for the loss of real property taxes caused by the homestead and rollback tax relief programs. A one percent increase per year has been built into homestead and rollback receipts to go along with the increases forecasted in property tax revenue.

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Note 5 - Specific Fund Revenue Assumptions

A. General Fund

Property and Other Local Taxes - Real property taxes are forecasted to decrease in 2016 due to trends discussed with the County Auditor. The property values are expected increase slightly through 2020 due to the overall economy of the Village. Although the County updates or reappraises property values every three years, values have been increasing recently and that is expected to continue.

Intergovernmental Revenue - Intergovernmental revenues include local government monies, property tax allocations for rollback, homestead, and tangible personal property tax loss reimbursements, grants, and estate tax. The local government funds are distributed monthly by the State to the County and by the County Auditor to the Village. The property tax allocations for rollback, homestead, and tangible personal property are received from the State and are based on information provided by the County Auditor.

The Village received significant intergovernmental revenue in prior years due to the estate tax. This revenue source was phased out by the State for deaths after December 31, 2012. Due to the time needed to settle and process estates, the Village has received additional estate tax funds in subsequent years, but it is currently not anticipated that any more will be coming in during the forecast period.

Municipal Income Taxes – Income taxes have been forecasted based on historical and year-to-date data from the Regional Income Tax Agency. Income tax revenue is forecasted to remain flat through 2020. Although the past several years have seen increases in this revenue source as the local economy has recovered, the Village is not certain that this trend will continue.

Fines, Licenses and Permits – Fines, licenses and permits receipts represent fines and forfeitures, court costs, vendor’s licenses, and building permits. Amounts collected for the various fines and permits have been forecasted flat based on a historical average throughout the forecast period.

Other – Other revenues consist mainly of various refunds and reimbursements which are projected to remain consistent throughout the forecast period.

B. Cemetery Fund

Charges for Services – Charges for services include primarily the sale of cemetery lots and internments. In prior years the receipts have remained largely consistent. A historical average of the past three years has been kept flat through the forecast period.

Transfers In – Transfers in represent monies transferred from the general fund to support cemetery operations. Transfers are forecasted to increase in 2019 and 2020 in order to cover forecasted deficits in the fund.

C. Park Fund

Property and Other Local Taxes – These receipts represent bed tax monies intended to be used for the upkeep of the park and pool in the Village. Although the Village has allocated the same amount in the 2016 budget as was received in 2015, the remaining forecast years are lower to provide a conservative estimate.

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Charges for Services – Charges for services represent sales of pool season passes and daily admissions, as well as concessions and charges for other park events. Although the parks have seen an uptick in activity over the past year, the receipts have remained largely consistent, and have been forecasted at a flat amount based on a two year historical average.

D. Police Fund

Property and Other Local Taxes – The Police fund was established starting in 2016 to account for property tax receipts resulting from the 1.5 mill police operating levy passed by the voters in 2015. It is estimated that the new levy will bring in approximately \$70,000 per year throughout the forecast period.

Note 6 - Expenditure Assumptions - All Funds

A. Personal Services

Personal services include the salaries paid to the employees of the Village and to the elected Mayor and Village Council. The Village’s employees, other than elected officials, are paid on a bi-weekly basis. The Mayor, Village Council, and Civil Service Commission members are paid monthly.

Pay rates for all employees and elected officials are set by Council by ordinance. The most recent pay rate ordinance was used to “step” out each position for the next five years to set future wages and salaries. Severance payments were calculated for employees expected to retire and replacement employees for those positions were considered as well. No salary increases are expected for the elected officials within the forecast period.

B. Fringe Benefits

Fringe benefits include employer contributions to the State pension systems, workers’ compensation, Medicare, vacation, sick leave, personal days and medical, prescription, eye care and dental health coverage.

All employees and/or elected officials, except police, participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual salary and the City is required to contribute 14 percent (the maximum) of their annual salary.

Police employees participate in the Ohio Police and Fire Retirement System (OP&F). OP&F provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. Employees are required to contribute 12.25 percent (the maximum) of their annual salary and the Village is required to contribute 19.5 percent of the annual salary.

Workers’ compensation coverage is provided by the State of Ohio. The Village pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. The workers’ compensation rate has been forecasted to remain the same, with increases to the total as a result of salary increases.

Employees, except elected officials, are entitled to vacation leave of two to five weeks per year depending on length of service. Employees earn sick leave at a rate of 4.66 hours per 80 hours in active work status.

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Full-time employees are eligible to participate in the Village’s medical insurance plan. The Village pays 90 percent of the insurance premiums. The Village pays 100 percent of costs for a group life insurance program that covers all employees. The Village expects insurance costs to increase an average of 10 percent per year throughout the forecast period.

C. Contractual Services

Contractual services include utility charges (street lighting, telephone, internet, electricity, natural gas, and garbage), postage, advertising, legal fees, auditor and treasurer fees, and maintenance. The Village has worked to constrain spending in as many areas as possible over the last several years and plans to continue to do so in the future.

D. Materials and Supplies

Materials and supplies expenditures include office supplies, operating supplies, fuel, information technology supplies, and repair and maintenance costs. Materials and supplies are anticipated to remain consistent for years 2016 through 2020.

E. Capital Outlay

During the forecast period, the Village expects that capital outlays will be made to replace police cruisers as well as other general equipment.

Note 7 – Transfers

The City expects to transfer the following amounts from the general fund during the forecast period:

Transfer to:	Year				
	2016	2017	2018	2019	2020
Cemetery Fund	\$30,000	\$30,000	\$30,000	\$37,812	\$41,172
Park Fund	10,000	10,000	10,000	10,000	10,000
Police Fund	600,000	600,000	600,000	600,000	600,000
Other Funds	0	10,000	10,000	10,000	10,000
Total	\$640,000	\$650,000	\$650,000	\$657,812	\$661,172

The transfers to the cemetery fund are to support the operations of the fund and to keep the fund from going into a deficit position. The forecast assumed that the Village will increase transfers to the cemetery fund as necessary in future years to keep pace with the rising costs of the fund. The transfers to the park and police funds are to support the operations of those funds. The transfers to other funds are to support capital improvements and capital asset purchases in those funds.

Note 8 - Other Funds

The Village has numerous other funds that account for resources that are restricted for specific purposes. All of these funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

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Note 9 - Contingencies

A. Litigation

The Village is not currently a party to legal proceedings.

B. Grants

The Village received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position during the forecast period.

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Dave Yost • Auditor of State

VILLAGE OF NEWCOMERSTOWN

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 13, 2016