

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

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

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



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Village of Newcomerstown, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Newcomerstown is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

December 14, 2012

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**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY**

**AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2011**

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

INDEPENDENT ACCOUNTANTS' REPORT

Village of Newcomerstown
Tuscarawas County
124 Church Street
Newcomerstown, Ohio 43832

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newcomerstown, Tuscarawas County, Ohio (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newcomerstown, Tuscarawas County, Ohio, as of December 31, 2011, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Street Maintenance and Street Levy funds for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, the Village of Newcomerstown, Tuscarawas County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Village's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Charles Harris Associates

Charles E. Harris & Associates, Inc.

June 29, 2012

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Village of Newcomerstown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

This discussion and analysis of the Village of Newcomerstown's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2011, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2011 are as follows:

The total net assets of the Village increased by \$259,885.

Net assets of governmental activities increased \$339,870, which represents a 97.53 percent increase from 2010. Net assets of business-type activities decreased \$79,985, or 5.98 percent from 2010.

The Village's largest general receipts are income taxes of \$970,090 and grants and entitlements of \$266,829. These receipts represent, respectively, 57.45 and 15.8 percent of the total revenues received for governmental activities during the year. Property tax receipts made up 7.41 percent of total revenues.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Village of Newcomerstown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2011, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities Most of the Village's basic services are reported here, including police, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities The Village has two business-type activities: the provision of water and sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Village of Newcomerstown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Governmental Funds – Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) are combined and presented in total in a single column. The Village's major governmental funds are the general fund, street maintenance fund, and the street levy fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds: water and sewer.

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2011 compared to 2010 on a modified cash basis:

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets						
Cash and Cash Equivalents	<u>\$688,345</u>	<u>\$348,475</u>	<u>\$1,258,281</u>	<u>\$1,338,266</u>	<u>\$1,946,626</u>	<u>\$1,686,741</u>
Net Assets						
Restricted:						
Capital Projects	\$17,738	\$14,996	\$0	\$0	\$17,738	\$14,996
Other Purposes	799,189	636,140	0	0	799,189	636,140
Unrestricted	<u>(128,582)</u>	<u>(302,661)</u>	<u>1,258,281</u>	<u>1,338,266</u>	<u>1,129,699</u>	<u>1,035,605</u>
<i>Total Net Assets</i>	<u>\$688,345</u>	<u>\$348,475</u>	<u>\$1,258,281</u>	<u>\$1,338,266</u>	<u>\$1,946,626</u>	<u>\$1,686,741</u>

Net assets of the governmental activities increased by \$339,870, or 97.53 percent, during 2011. The increase is due to an increase in receipts and a decrease in disbursements, most significantly for transportation.

Village of Newcomerstown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Table 2 reflects the changes in net assets for 2011 compared to 2010 and corresponds to the Statement of Activities.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Receipts						
Program Receipts:						
Charges for Services	\$104,917	\$93,959	\$817,559	\$785,312	\$922,476	\$879,271
Operating Grants and Contributions	178,160	170,354	0	0	178,160	170,354
Capital Grants and Contributions	4,971	850	0	0	4,971	850
Total Program Receipts	<u>288,048</u>	<u>265,163</u>	<u>817,559</u>	<u>785,312</u>	<u>1,105,607</u>	<u>1,050,475</u>
General Receipts:						
Property Taxes	125,159	139,356	0	0	125,159	139,356
Income Taxes	970,090	947,698	418,140	406,077	1,388,230	1,353,775
Intergovernmental	266,829	218,865	0	0	266,829	218,865
Interest	5,014	59,457	0	0	5,014	59,457
Other	33,380	28,209	6,152	25,891	39,532	54,100
Total General Receipts	<u>1,400,472</u>	<u>1,393,585</u>	<u>424,292</u>	<u>431,968</u>	<u>1,824,764</u>	<u>1,825,553</u>
Total Receipts	<u>1,688,520</u>	<u>1,658,748</u>	<u>1,241,851</u>	<u>1,217,280</u>	<u>2,930,371</u>	<u>2,876,028</u>
Program Disbursements						
Governmental Activities:						
General Government	401,237	525,794	0	0	401,237	525,794
Security of Persons and Property	493,908	637,642	0	0	493,908	637,642
Public Health and Welfare	102,726	122,291	0	0	102,726	122,291
Leisure Time Activities	38,336	53,342	0	0	38,336	53,342
Community Environment	25,218	22,505	0	0	25,218	22,505
Basic Utilities Service	3,299	7,072	0	0	3,299	7,072
Transportation	260,560	591,118	0	0	260,560	591,118
Capital Outlay	3,359	75	0	0	3,359	75
Principal Retirement	20,007	10,004	0	0	20,007	10,004
Water	0	0	466,678	459,400	466,678	459,400
Sewer	0	0	855,158	752,710	855,158	752,710
Total Disbursements	<u>1,348,650</u>	<u>1,969,843</u>	<u>1,321,836</u>	<u>1,212,110</u>	<u>2,670,486</u>	<u>3,181,953</u>
Change in Net Assets	339,870	(311,095)	(79,985)	5,170	259,885	(305,925)
Net Assets Beginning of Year	<u>348,475</u>	<u>659,570</u>	<u>1,338,266</u>	<u>1,333,096</u>	<u>1,686,741</u>	<u>1,992,666</u>
Net Assets End of Year	<u>\$688,345</u>	<u>\$348,475</u>	<u>\$1,258,281</u>	<u>\$1,338,266</u>	<u>\$1,946,626</u>	<u>\$1,686,741</u>

Village of Newcomerstown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
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Program receipts for governmental activities represent only 17.06 percent of total receipts and are primarily comprised of operating grants and contributions.

General receipts for governmental activities represent 82.94 percent of the Village's total receipts, and of this amount, over 78.21 percent are local taxes. Grants and entitlements make up 19.05 percent of the Village's general governmental receipts. Investment earnings and other receipts make up the remaining 2.74 percent of general receipts.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other government activities. These include the costs of council, the fiscal officer and internal services such as purchasing. These costs do not represent direct services to residents and they have been limited to 29.75 percent of the total disbursements of the Village in 2011.

Governmental Activities

If you look at the Statement of Activities on pages 12 and 13, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and transportation, which account for 36.62 and 19.32 percent of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
General Government	\$401,237	\$525,794	(\$392,169)	(\$515,826)
Security of Persons and Property	493,908	637,642	(458,681)	(618,789)
Public Health Services	102,726	122,291	(67,228)	(80,262)
Leisure Time Activities	38,336	53,342	(14,484)	(30,465)
Community Environment	25,218	22,505	(17,039)	(20,026)
Basic Utility Services	3,299	7,072	(3,299)	(6,968)
Transportation	260,560	591,118	(84,336)	(422,265)
Capital Outlay	3,359	75	(3,359)	(75)
Principal Retirement	20,007	10,004	(20,007)	(10,004)
Total Disbursements	\$1,348,650	\$1,969,843	(\$1,060,602)	(\$1,704,680)

Village of Newcomerstown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Business-type Activities

These activities represent 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 has two significant enterprise activities: water and sewer. The water fund had an increase in net assets of \$25,059 and the sewer fund net assets decreased by \$105,044 due to increased operational costs.

The Village's Funds

Information about the Village's governmental funds begins on page 14. These funds are accounted for by using the modified cash basis of accounting. All governmental funds had total receipts of \$1,688,520 and disbursements of \$1,348,650. The general fund had receipts of \$1,117,694 and disbursements of \$962,895, for an increase of \$154,799. The street maintenance fund had receipts of \$162,604 and disbursements of \$106,227, for an increase of \$56,377. The street levy fund had receipts of \$318,582 and disbursements of \$173,166, for an increase of \$145,416.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During 2011, the Village did not amend the budgeted receipts. The actual receipts were \$210,847 more than the budgeted receipts, due mainly to actual intergovernmental receipts coming in \$135,965 over budgeted receipts.

Original budgeted expenditures were equal to the final budgeted expenditures. Actual expenditures were \$197,551 higher than final budgeted expenditures due to higher overhead and support services costs than expected.

Debt Administration

At December 31, 2011, the Village had three OPWC loans outstanding in the amount of \$217,734 and four OWDA loans outstanding in the amount of \$4,398,385.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. We rely heavily on local property taxes and income taxes. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village. We will continue to monitor the finances of the Village and reduce costs in areas which would have the least impact on services to Village residents. We are also looking at ways to increase revenue.

Village of Newcomerstown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kim Meek, Fiscal Officer, Village of Newcomerstown, 124 West Church Street, Tuscarawas County, Ohio 43832. The Village phone number is (740) 498-6289 and the e-mail address of the Fiscal Officer is kmeek@newcomerstownoh.com.

Village of Newcomerstown Ohio
Tuscarawas County
Statement of Net Assets - Modified Cash Basis
December 31, 2011

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$688,345	\$1,258,281	\$1,946,626
Net Assets			
Restricted for:			
Capital Projects	\$17,738	\$0	\$17,738
Other Purposes	799,189	0	799,189
Unrestricted (Deficit)	(128,582)	1,258,281	1,129,699
<i>Total Net Assets</i>	\$688,345	\$1,258,281	\$1,946,626

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See accompanying notes to the basic financial statements

Village of Newcomerstown Ohio
Tuscarawas County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2011

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$401,237	\$9,068	\$0	\$0
Security of Persons and Property	493,908	33,291	1,936	0
Public Health Services	102,726	35,498	0	0
Leisure Time Activities	38,336	23,852	0	0
Community Environment	25,218	3,208	0	4,971
Basic Utility Services	3,299	0	0	0
Transportation	260,560	0	176,224	0
Capital Outlay	3,359	0	0	0
Principal Retirement	20,007	0	0	0
<i>Total Governmental Activities</i>	<u>1,348,650</u>	<u>104,917</u>	<u>178,160</u>	<u>4,971</u>
Business-Type Activities				
Water	466,678	389,912	0	0
Sewer	855,158	427,647	0	0
<i>Total Business-Type Activities</i>	<u>1,321,836</u>	<u>817,559</u>	<u>0</u>	<u>0</u>
Total	<u><u>\$2,670,486</u></u>	<u><u>\$922,476</u></u>	<u><u>\$178,160</u></u>	<u><u>\$4,971</u></u>

General Receipts

Property Taxes Levied for:
 General Purposes
 Other Purposes
Income Taxes Levied for:
 General Purposes
 Other Purposes
 Capital Outlay
Intergovernmental
Interest
Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

Net Receipts (Disbursements)
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$392,169)	\$0	(\$392,169)
(458,681)	0	(458,681)
(67,228)	0	(67,228)
(14,484)	0	(14,484)
(17,039)	0	(17,039)
(3,299)	0	(3,299)
(84,336)	0	(84,336)
(3,359)	0	(3,359)
(20,007)	0	(20,007)
<u>(1,060,602)</u>	<u>0</u>	<u>(1,060,602)</u>
0	(76,766)	(76,766)
<u>0</u>	<u>(427,511)</u>	<u>(427,511)</u>
<u>0</u>	<u>(504,277)</u>	<u>(504,277)</u>
<u>(1,060,602)</u>	<u>(504,277)</u>	<u>(1,564,879)</u>
111,052	0	111,052
14,107	0	14,107
641,508	0	641,508
318,582	418,140	736,722
10,000	0	10,000
266,829	0	266,829
5,014	0	5,014
33,380	6,152	39,532
<u>1,400,472</u>	<u>424,292</u>	<u>1,824,764</u>
339,870	(79,985)	259,885
<u>348,475</u>	<u>1,338,266</u>	<u>1,686,741</u>
<u>\$688,345</u>	<u>\$1,258,281</u>	<u>\$1,946,626</u>

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Village of Newcomerstown Ohio
Tuscarawas County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2011

	General	Street Maintenance	Street Levy	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$0	\$2,536	\$561,472	\$124,337	\$688,345
Interfund Receivable	0	0	141,280	0	141,280
<i>Total Assets</i>	<u>\$0</u>	<u>\$2,536</u>	<u>\$702,752</u>	<u>\$124,337</u>	<u>\$829,625</u>
Liabilities and Fund Balances					
Liabilities					
Interfund Payable	\$2,613	\$0	\$0	\$138,667	\$141,280
Fund Balances					
Restricted	0	2,536	702,752	111,639	816,927
Committed	0	0	0	12,698	12,698
Unassigned (Deficit)	(2,613)	0	0	(138,667)	(141,280)
<i>Total Fund Balances</i>	<u>(2,613)</u>	<u>2,536</u>	<u>702,752</u>	<u>(14,330)</u>	<u>688,345</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$0</u>	<u>\$2,536</u>	<u>\$702,752</u>	<u>\$124,337</u>	<u>\$829,625</u>

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See accompanying notes to the basic financial statements

Village of Newcomerstown, Ohio
Tuscarawas County
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General	Street Maintenance	Street Levy	Other Governmental Funds	Total Governmental Funds
Receipts					
Income Taxes	\$641,508	\$0	\$318,582	\$10,000	\$970,090
Property Taxes	111,052	0	0	14,107	125,159
Charges for Services	24,574	0	0	38,230	62,804
Fines, Licenses and Permits	33,689	0	0	1,798	35,487
Intergovernmental	266,675	162,604	0	15,710	444,989
Special Assessments	2,775	0	0	0	2,775
Rent	0	0	0	3,851	3,851
Contributions and Donations	0	0	0	4,971	4,971
Interest	4,861	0	0	153	5,014
Miscellaneous	32,560	0	0	820	33,380
<i>Total Receipts</i>	<u>1,117,694</u>	<u>162,604</u>	<u>318,582</u>	<u>89,640</u>	<u>1,688,520</u>
Disbursements					
Current:					
General Government	401,237	0	0	0	401,237
Security of Persons and Property	456,045	0	0	37,863	493,908
Public Health Services	1,760	0	0	100,966	102,726
Leisure Time Activities	38,336	0	0	0	38,336
Community Environment	25,218	0	0	0	25,218
Basic Utility Services	3,299	0	0	0	3,299
Transportation	0	106,227	153,159	1,174	260,560
Capital Outlay	0	0	0	3,359	3,359
Debt Service:					
Principal Retirement	0	0	20,007	0	20,007
<i>Total Disbursements</i>	<u>925,895</u>	<u>106,227</u>	<u>173,166</u>	<u>143,362</u>	<u>1,348,650</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>191,799</u>	<u>56,377</u>	<u>145,416</u>	<u>(53,722)</u>	<u>339,870</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	37,000	37,000
Transfers Out	(37,000)	0	0	0	(37,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(37,000)</u>	<u>0</u>	<u>0</u>	<u>37,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	154,799	56,377	145,416	(16,722)	339,870
<i>Fund Balance (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>(157,412)</u>	<u>(53,841)</u>	<u>557,336</u>	<u>2,392</u>	<u>348,475</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>(\$2,613)</u></u>	<u><u>\$2,536</u></u>	<u><u>\$702,752</u></u>	<u><u>(\$14,330)</u></u>	<u><u>\$688,345</u></u>

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See accompanying notes to the basic financial statements

Village of Newcomerstown Ohio
Tuscarawas County
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Income Taxes	\$600,000	\$600,000	\$641,508	\$41,508
Property Taxes	91,900	91,900	111,052	19,152
Charges for Services	750	750	722	(28)
Fines, Licenses and Permits	17,235	17,235	33,689	16,454
Intergovernmental	130,710	130,710	266,675	135,965
Special Assessments	2,400	2,400	2,775	375
Interest	35,000	35,000	4,861	(30,139)
Miscellaneous	5,000	5,000	32,560	27,560
<i>Total Receipts</i>	882,995	882,995	1,093,842	210,847
Disbursements				
Current:				
General Government	274,488	274,488	401,237	(126,749)
Security of Persons and Property	410,020	410,020	456,045	(46,025)
Public Health Services	2,000	2,000	1,760	240
Community Environment	0	0	25,218	(25,218)
Basic Utility Services	3,500	3,500	3,299	201
<i>Total Disbursements</i>	690,008	690,008	887,559	(197,551)
<i>Excess of Receipts Over Disbursements</i>	192,987	192,987	206,283	13,296
Other Financing Uses				
Transfers Out	(211,000)	(211,000)	(37,000)	174,000
<i>Net Change in Fund Balance</i>	(18,013)	(18,013)	169,283	187,296
<i>Fund Deficit Beginning of Year</i>	(127,961)	(127,961)	(127,961)	0
<i>Fund Deficit End of Year</i>	(\$145,974)	(\$145,974)	\$41,322	\$187,296

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See accompanying notes to the basic financial statements

Village of Newcomerstown Ohio
Tuscarawas County
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
Street Maintenance Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$165,000	\$165,000	\$162,604	(\$2,396)
Disbursements				
Current:				
Transportation	102,000	102,000	106,227	(4,227)
<i>Net Change in Fund Balance</i>	63,000	63,000	56,377	(6,623)
<i>Fund Deficit Beginning of Year</i>	(53,841)	(53,841)	(53,841)	0
<i>Fund Balance End of Year</i>	<u>\$9,159</u>	<u>\$9,159</u>	<u>\$2,536</u>	<u>(\$6,623)</u>

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See accompanying notes to the basic financial statements

Village of Newcomerstown Ohio
Tuscarawas County
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
Street Levy Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Income Tax	\$315,000	\$315,000	\$318,582	\$3,582
Disbursements				
Current:				
Transportation	700,836	700,836	153,159	547,677
Debt Service:				
Principal Retirement	25,000	25,000	20,007	4,993
<i>Total Disbursements</i>	<u>725,836</u>	<u>725,836</u>	<u>173,166</u>	<u>552,670</u>
<i>Net Change in Fund Balance</i>	(410,836)	(410,836)	145,416	556,252
<i>Fund Balance Beginning of Year</i>	<u>557,336</u>	<u>557,336</u>	<u>557,336</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$146,500</u>	<u>\$146,500</u>	<u>\$702,752</u>	<u>\$556,252</u>

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See accompanying notes to the basic financial statements

Village of Newcomerstown Ohio
Tuscarawas County
Statement of Fund Net Assets - Modified Cash Basis
Enterprise Funds
December 31, 2011

	Business-Type Activities		
	Water	Sewer	Total Enterprise Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$306,863	\$951,418	\$1,258,281
Net Assets			
Unrestricted	\$306,863	\$951,418	\$1,258,281

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See accompanying notes to the basic financial statements

Village of Newcomerstown Ohio
Tuscarawas County
Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Enterprise Funds
For the Year Ended December 31, 2011

	Business-Type Activities		
	Water	Sewer	Total Enterprise Funds
Operating Receipts			
Charges for Services	\$389,912	\$427,647	\$817,559
Other Operating Receipts	2,159	3,993	6,152
<i>Total Operating Receipts</i>	<u>392,071</u>	<u>431,640</u>	<u>823,711</u>
Operating Disbursements			
Personal Services	219,964	218,129	438,093
Contractual Services	86,595	261,946	348,541
Materials and Supplies	82,953	43,678	126,631
<i>Total Operating Disbursements</i>	<u>389,512</u>	<u>523,753</u>	<u>913,265</u>
<i>Operating Income (Loss)</i>	<u>2,559</u>	<u>(92,113)</u>	<u>(89,554)</u>
Non-Operating Receipts (Disbursements)			
Income Taxes	99,666	318,474	418,140
Capital Outlay	0	(42,669)	(42,669)
Principal Payments	(62,062)	(241,035)	(303,097)
Interest and Fiscal Charges	(15,104)	(47,701)	(62,805)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<u>22,500</u>	<u>(12,931)</u>	<u>9,569</u>
<i>Change in Net Assets</i>	25,059	(105,044)	(79,985)
<i>Net Assets Beginning of Year</i>	<u>281,804</u>	<u>1,056,462</u>	<u>1,338,266</u>
<i>Net Assets End of Year</i>	<u><u>\$306,863</u></u>	<u><u>\$951,418</u></u>	<u><u>\$1,258,281</u></u>

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See accompanying notes to the basic financial statements

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 1 – Description of the Village and Reporting Entity

The Village of Newcomerstown, Tuscarawas County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. Council has direct responsibility for these services.

Jointly Governed Organizations

The Village participates in several jointly governed organizations and public entity risk pools, and is associated with a related organization. These organizations are presented in Note 13. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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

As discussed further in Note 2 – Basis of Accounting, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance and interfund loan balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses fund accounting 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 divided into two categories: governmental and proprietary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General Fund The general fund 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 according to the general laws of Ohio.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Street Maintenance Fund The street maintenance special revenue fund accounts for and reports monies received from gasoline and motor vehicle taxes restricted for constructing, maintaining, and repairing Village streets.

Street Levy Fund The street levy special revenue fund accounts for and reports income tax monies restricted for constructing, maintaining, and repairing Village streets.

The other governmental funds of the Village account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Village has no internal service 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. The Village's two enterprise funds are the water and sewer funds.

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

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

Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds. Any budgetary modification at this level may only be made by Village Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

The Village has no investments as of year end. Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2011 amounted to \$4,861, all of which was assigned from other funds.

Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

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

Interfund Receivables/Payables

The fund financial statements report outstanding interfund loans as interfund receivables/payables. Interfund loans, which do not represent available expendable resources, are classified as nonspendable fund balance. Interfund balances are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's modified cash basis of accounting.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as 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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

Net Assets

Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted street and state highway improvements and federal and state grants restricted to cash disbursements for specified purposes. The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. Transfers between governmental funds are eliminated on the government-wide financial statements. Internal allocations of overhead disbursements from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initial paid for them are not presented in the financial statements.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 3 – Change in Basis of Accounting and Restatement of Fund Balance and Net Assets

For 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Also, during 2011, it was determined that fund balance/net assets were understated at December 31, 2010.

The following table summarizes what the implementation of GASB Statement No. 54 and the restatement adjustment for fund balance had on the fund balances of the major and nonmajor funds as previously reported:

	General	Street Maintenance	Street Levy	Other Governmental Funds	Total Governmental Funds
Fund Balance (Deficit) at December 31, 2010	(\$141,279)	(\$55,833)	\$557,336	(\$25,066)	\$335,158
GASB 54 Change in Fund Structure	(29,450)	1,992	0	27,458	0
Adjustment for Understated Fund Balance	<u>13,317</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,317</u>
Adjusted Fund Balance (Deficit) at December 31, 2010	<u><u>(\$157,412)</u></u>	<u><u>(\$53,841)</u></u>	<u><u>\$557,336</u></u>	<u><u>\$2,392</u></u>	<u><u>\$348,475</u></u>

The following table summarizes the restatement adjustment for net assets:

	Governmental Activities	Business - Type Activities	Total
Net Assets at December 31, 2010	\$335,158	\$1,337,626	\$1,672,784
Adjustment for Understated Net Assets	<u>13,317</u>	<u>640</u>	<u>13,957</u>
Restated Net Assets at December 31, 2010	<u><u>\$348,475</u></u>	<u><u>\$1,338,266</u></u>	<u><u>\$1,686,741</u></u>

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 4 – Accountability and Compliance

Accountability

Fund Balances at December 31, 2011, included the following individual fund deficits:

<i>Major Fund:</i>	
General	(\$2,613)
<i>Nonmajor Fund:</i>	
Cemetery	(138,667)

Compliance

Contrary to Ohio Revised Code Section 5705.39, the general fund had original and final appropriations in excess of certified available resources in the amount of \$145,974 each.

Also, contrary to Section 5705.41(B), Ohio Revised Code, the general fund and the street maintenance fund had expenditures plus encumbrances in excess of final appropriations in the amounts of \$45,551 and \$4,227, respectively.

Although these budgetary violations were not corrected by year end, management has indicated that appropriations will be closely monitored to prevent future violations.

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit, or savings, or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,331,325 of the Village's bank balance of \$2,268,361 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 6 – Income Taxes

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village, as well as certain income of residents earned outside of the Village. Additional increases in the income tax rate require voter approval.

Employers within the Village withhold income tax on employee compensation and remit the tax quarterly. Corporations and other individual taxpayers remit estimated taxes quarterly and file a declaration annually. Income tax revenue is credited to the general, street levy, and capital improvement funds.

Note 7 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax receipts received during 2011 for real and public utility property taxes represents collections of the 2010 taxes.

2011 real property taxes are levied after October 1, 2011 on the assessed values as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien on December 31, 2010, are levied after October 1, 2011, and are collected in 2010 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2011, was \$2.50 per \$1,000 of assessed value. The assessed values of real property and public utility personal property upon which 2011 property tax receipts were based are as follows:

Real Property	\$44,840,950
Public Utility Property	<u>1,851,680</u>
Total	<u><u>\$46,692,630</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 8 – Interfund Transactions

Interfund Receivables/Payables

Interfund balances at December 31, 2011, consisted of the street levy fund having a receivable of \$141,280 from the general and cemetery funds in the amounts of \$2,613 and \$138,667, respectively, in order to cover negative cash deficits at year end.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Interfund Transfers

During 2011, the general fund transferred \$37,000 to the police pension fund in order to cover program expenses.

Note 9 – Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2011, the Village contracted with Kennedy Insurance Agency for the various types of insurance coverage:

Type of Coverage	Coverage
Commercial Property	\$12,639,654
General Liability:	
Aggregate	2,000,000
Each Occurance	1,000,000
Crime:	
Employee Dishonesty	50,000
Money Securities	20,000
Equipment	597,010
Electronic Data Processing	67,900

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

Note 10 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year fiscal year ended June 30, 2011, members in state and local classifications contributed 10 percent of covered payroll.

The Village's contribution rate for year 2011 was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for the year. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009, were \$47,895, \$58,830, and \$51,780, respectively. The full amount has been contributed for all years. No contributions were made to the Member-Directed Plan for 2011.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, 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. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The Village's contributions to OP&F for police for the years end December 31, 2011, 2010, and 2009 were \$37,508, \$43,773, and \$46,279, respectively. The full amount has been contributed for all years.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 11 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, state and local employers contributed at a rate of 14 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for the year.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2011, 2010, and 2009 were \$26,608, \$33,539, and \$37,441, respectively. The full amount has been contributed for all years.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F which were allocated to fund postemployment healthcare benefits for police were \$19,857, \$23,174, and \$24,501 for the years ended December 31, 2011, 2010, and 2009, respectively. The full amount has been contributed for all years.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 12 – Long-Term Obligations

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity		
Business-Type Activities					
OPWC Loans:					
State and Goodrich Streets Improvement	0.00 %	\$183,391	1/1/2020		
Canal Street Improvements	0.00	124,500	7/1/2021		
County Road 15 Pump Station	0.00	45,000	7/1/2027		
OWDA Loans:					
Water Treatment Plant	2.00	1,506,553	1/1/2022		
Wastewater Treatment Plant Improvements I	2.00	1,166,795	7/1/2027		
Wastewater Treatment Plant Improvements II	1.00	3,066,361	1/1/2025		
County Road 15 Pump Station	1.00	1,084,875	1/1/2028		
	Balance			Balance	Amounts Due
	12/31/10	Increase	Decrease	12/31/11	In One Year
<i>Business-Type Activities</i>					
OPWC Loans Payable:					
State and Goodrich Streets Improvement	\$116,148	\$0	(\$12,226)	\$103,922	\$12,226
Canal Street Improvements	85,593	0	(7,781)	77,812	7,782
County Road 15 Pump Station	38,250	0	(2,250)	36,000	2,250
Total OPWC Loans Payable	<u>239,991</u>	<u>0</u>	<u>(22,257)</u>	<u>217,734</u>	<u>22,258</u>
OWDA Loans Payable:					
Water Treatment Plant	755,215	0	(62,062)	693,153	62,683
Wastewater Treatment Plant Improvements I	833,199	0	(43,087)	790,112	43,517
Wastewater Treatment Plant Improvements II	2,206,928	0	(144,954)	2,061,974	148,552
County Road 15 Pump Station	751,686	0	(50,744)	700,942	51,008
Total OWDA Loans Payable	<u>4,547,028</u>	<u>0</u>	<u>(300,847)</u>	<u>4,246,181</u>	<u>305,760</u>
<i>Total Business-Type Activities</i>	<u>\$4,787,019</u>	<u>\$0</u>	<u>(\$323,104)</u>	<u>\$4,463,915</u>	<u>\$328,018</u>

The two loans from the Ohio Public Works Commission are for street improvements to be repaid in semi-annual installments over 16 and 15 years, respectively. A third loan from the Ohio Public Works Commission is for a pump station and will be repaid in semi-annual installments over 20 years. Debt balances related to OPWC loans were overstated by \$11,130 at December 31, 2010 in the prior year's audit report.

The Village has four loans outstanding with the Ohio Water Development Authority (OWDA). One loan deals with the construction of the Water Treatment Plant, which will be repaid over a period of 25 years. Two of the loans relate to improvements made to the Water Treatment Plant and will be paid off over 25 and 20 years, respectively. The fourth loan is for projects related to the pump station and will be paid over a period of 20 years.

A line of credit has been established with the Ohio Water Development Authority in the amount of \$1,084,875 for the County Road 15 pump station sewer project. Since this loan payment schedule has not been finalized, the repayment schedule is not included in the schedule of debt service requirements.

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The following is a summary of the Village's future annual principal and interest requirements for debt:

	Business-Type Activities		
	OPWC Loans	OWDA Loans	
	Principal	Principal	Interest
2012	\$22,257	\$254,752	\$51,493
2013	22,257	258,370	47,875
2014	22,257	262,045	44,200
2015	22,257	265,779	40,466
2016	22,257	269,572	36,673
2017-2021	92,948	1,280,146	124,302
2022-2026	11,250	895,920	33,743
2027-2028	2,251	58,655	881
Totals	\$217,734	\$3,545,239	\$379,633

The Village has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans in the Village water fund. The debt is payable solely from net revenues and are payable through 2022. Annual principal and interest payments on the debt issues are expected to require less than 76 percent of net revenues and less than 16 percent of total revenues. The total principal and interest remaining to be paid on the debt is \$991,980, total net revenues were \$102,225, and total revenues were \$491,737.

The Village has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans in the Village sewer fund. The debt is payable solely from net revenues and are payable through 2028. Annual principal and interest payments on the debt issues are expected to require less than 158 percent of net revenues and less than 39 percent of total revenues. The total principal and interest remaining to be paid on the debt is \$3,277,400, total net revenues were \$183,692, and total revenues were \$750,114.

Note 13 – Jointly Governed Organizations

Tuscarawas County Regional Planning Commission

The Village is associated with the Tuscarawas County Regional Planning commission as a jointly governed organization. The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county.

Tuscarawas County Tax Incentive Review Control

The Tuscarawas County Tax Incentive Review Control (Council) is a jointly governed organization, created as a regional council of governments pursuant to State statutes. The Council has 20 members, consisting of three members appointed by the Tuscarawas County Commissioners, four members appointed by municipal corporations and six members appointed by boards of education located within the County. The Council reviews and evaluates the performance of each Enterprise Zone Agreement. This

Village of Newcomerstown, Ohio
Tuscarawas County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however the Council can make a written recommendation to the legislative authority which approved the agreement. There is no cost associated with being a member of the Council. The continued existence of the Council is not dependent upon the Village's continued participation and no measurable equity interests exist.

Note 14 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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 15 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Street Maintenance	Street Levy	Other Governmental Funds	Total
<u>Restricted to:</u>					
Transportation	\$0	\$2,536	\$702,752	\$26,031	\$731,319
Public Safety	0	0	0	24,222	24,222
Public Health	0	0	0	43,648	43,648
Capital Improvements	0	0	0	17,738	17,738
<i>Total Restricted</i>	<u>0</u>	<u>2,536</u>	<u>702,752</u>	<u>111,639</u>	<u>816,927</u>
<u>Committed to:</u>					
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,698</u>	<u>12,698</u>
Unassigned (Deficit)	<u>(2,613)</u>	<u>0</u>	<u>0</u>	<u>(138,667)</u>	<u>(141,280)</u>
Total Fund Balances	<u><u>(\$2,613)</u></u>	<u><u>\$2,536</u></u>	<u><u>\$702,752</u></u>	<u><u>(\$14,330)</u></u>	<u><u>\$688,345</u></u>

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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

Village of Newcomerstown
Tuscarawas County
124 Church Street
Newcomerstown, Ohio 43832

To the Village Council:

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Newcomerstown, Tuscarawas County (Village) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 29, 2012, wherein we noted the Village followed the modified cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. For the year ended December 31, 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are disclosed on Schedule of Findings as items 2011-001 through 2011-003.

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

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

Charles E. Harris Associates

Charles E. Harris & Associates, Inc.

June 29, 2012

**VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011**

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

**FINDING NUMBER 2011-001
Noncompliance Citation**

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

We noted the following funds had expenditures plus encumbrances that exceeded appropriations at December 31, 2011:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
General Fund	\$ 901,008	\$ 924,559	\$ (23,551)
Special Revenue:			
Street Maintenance Fund	102,000	106,227	(4,227)

Expenditures for each fund should not exceed appropriations. Failure to follow approved budgets could lead to overspending and the possibility of negative fund balances. To ensure expenditures do not exceed appropriations, the Village should monitor its financial activity periodically and amend its approved budgets accordingly.

Official's Response:

Client has indicated they will monitor appropriations in the future to avoid further citations.

VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2011

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

FINDING NUMBER 2011-002
Noncompliance Citation

Ohio Revised Code Section 5705.10 prohibits the Village from having negative fund balances. The General and Cemetery funds were found to have negative cash fund balances at December 31, 2011.

Official's Response:

Client elected not to respond to this finding.

FINDING NUMBER 2011-003
Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure.

The following fund had appropriations exceeding total estimated resources at December 31, 2011:

Fund	Variance
General Fund	\$(145,974)

Council and the Fiscal Officer should monitor appropriations versus estimated resources and modify as necessary to help avoid overspending.

Official's Response:

Client has indicated they will monitor appropriations in the future to avoid further citations.

VILLAGE OF NEWCOMERSTOWN
TUSCARAWAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-001	Contrary to Ohio Revised Code Section 117.38, the Village failed to file its annual report with the Auditor of State within 60 days of year end.	Yes	No longer valid.
2010-002	Contrary to Ohio Revised Code Section 5705.41B, the Village had expenditures that exceeded appropriations during 2011.	No	Repeated as finding # 2011-001
2010-003	Contrary to Ohio Rev. Code Section 5705.10, the Village had several funds with negative fund balances.	No	Repeated as finding # 2011-002.
2010-004	Contrary to Ohio Administrative Code Section 117-2-02 the Village's financial system did not produce the necessary financial statements to account for its resources.	Yes	No longer valid.

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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
DECEMBER 27, 2012