



Dave Yost • Auditor of State

VILLAGE OF NEW MADISON
DARKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of New Madison
Darke County
124 South Harrison Street, PO Box 15
New Madison, Ohio 45346

To the Village Council:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the cash balances, receipts and disbursements by fund type, of the Village of New Madison, Darke County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Village's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Because of the matters described in the Basis for Disclaimer of Opinion paragraph; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Management has not provided certain written representations required by Auditing Standard Section AU-C Section 580, *Written Representations*, including but not limited to, management's responsibility for preparing the financial statements in conformity with the Village's financial reporting framework, the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility of the Village's compliance with laws and regulations; the identification and disclosure of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, including budget laws, and compliance with any debt covenants.

In addition, due to inadequacies related to the Village's income tax records, we could not verify or determine completeness of the Village's general fund income tax receipts in the amount of \$131,673 which is 47.5% of general fund receipts for the year ended December 31, 2015. The Village's adjusted bank reconciliation had an unsupported variance of \$55,844 as of December 31, 2015.

Disclaimer of Opinion

Due to the significance of the matters discussed in *the Basis for Disclaimer of Opinion* paragraph, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements for the years ended December 31, 2016 and 2015.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 7, 2018

Village of New Madison, Ohio
Darke County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$38,887	\$55,663	\$22,863	\$117,413
Municipal Income Tax	176,482			176,482
Intergovernmental	39,753	48,027	4,255	92,035
Charges for Services	64,016			64,016
Fines, Licenses and Permits	855			855
Earnings on Investments	4,794			4,794
Miscellaneous	16,986	145		17,131
<i>Total Cash Receipts</i>	<u>341,773</u>	<u>103,835</u>	<u>27,118</u>	<u>472,726</u>
Cash Disbursements				
Current:				
Security of Persons and Property	107,363	90,034		197,397
Public Health Services	4,065			4,065
Leisure Time Activities	9,437	3,035		12,472
Community Environment	4,529			4,529
Basic Utility Services	110,287			110,287
Transportation		53,758		53,758
General Government	32,543	1,996		34,539
Capital Outlay	450	20,117		20,567
Debt Service:				
Principal Retirement			6,500	6,500
Interest and Fiscal Charges			18,530	18,530
<i>Total Cash Disbursements</i>	<u>268,674</u>	<u>168,940</u>	<u>25,030</u>	<u>462,644</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>73,099</u>	<u>(65,105)</u>	<u>2,088</u>	<u>10,082</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	1,778			1,778
Transfers In		44,960	166,637	211,597
Transfers Out	(44,960)		(8,110)	(53,070)
Advances In	7,937	25,479		33,416
Advances Out	(25,479)	(7,937)		(33,416)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(60,724)</u>	<u>62,502</u>	<u>158,527</u>	<u>160,305</u>
<i>Net Change in Fund Cash Balances</i>	12,375	(2,603)	160,615	170,387
<i>Fund Cash Balances, January 1</i>	<u>156,903</u>	<u>119,620</u>	<u>63,080</u>	<u>339,603</u>
Fund Cash Balances, December 31				
Nonspendable	0	1	0	1
Restricted	0	115,020	223,695	338,715
Committed	0	1,996	0	1,996
Assigned	0	0	0	0
Unassigned (Deficit)	169,278	0	0	169,278
<i>Fund Cash Balances, December 31</i>	<u>\$169,278</u>	<u>\$117,017</u>	<u>\$223,695</u>	<u>\$509,990</u>

See accompanying notes to the basic financial statements.

Village of New Madison, Ohio
Darke County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2016

	Enterprise
Operating Cash Receipts	
Charges for Services	\$459,356
Miscellaneous	8,390
<i>Total Operating Cash Receipts</i>	467,746
Operating Cash Disbursements	
Personal Services	101,286
Employee Fringe Benefits	3,517
Contractual Services	48,764
Supplies and Materials	365,174
<i>Total Operating Cash Disbursements</i>	518,741
<i>Operating Income (Loss)</i>	(50,995)
Non-Operating Receipts (Disbursements)	
Intergovernmental	286,877
Miscellaneous Receipts	20,651
Capital Outlay	(445)
Principal Retirement	(65,900)
Interest and Other Fiscal Charges	(80,783)
Other Financing Sources	238
<i>Total Non-Operating Receipts (Disbursements)</i>	160,638
<i>Income (Loss) before Transfers</i>	109,643
Transfers In	24,480
Transfers Out	(183,007)
<i>Net Change in Fund Cash Balances</i>	(48,884)
<i>Fund Cash Balances, January 1</i>	909,468
<i>Fund Cash Balances, December 31</i>	\$860,584

See accompanying notes to the basic financial statements.

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

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

Police Levy Fund The police levy fund receives property tax levy proceeds that are used to help operate the police department in the Village.

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

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

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund accounts for the provision of water treatment and distribution 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

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

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

Budgetary Process

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

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

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

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

A summary of 2016 budgetary activity appears in Note 4.

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

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

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 - Compliance

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

Contrary to Ohio law, appropriations exceeded estimated resources for the Street Construction Maintenance and Repair Fund.

Contrary to Ohio law, actual unadjusted receipts were below estimated receipts in the General Fund and Water Operating Fund and an amended certificate of estimated resources and reduced appropriations were not obtained.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$289,375	\$351,488	\$62,113
Special Revenue	110,447	174,274	63,827
Debt Service	0	193,755	193,755
Enterprise	485,073	799,992	314,919
Total	\$884,895	\$1,519,509	\$634,614

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$386,755	\$339,113	\$47,642
Special Revenue	208,152	176,877	31,275
Debt Service	168,962	33,140	135,822
Enterprise	855,336	848,876	6,460
Total	\$1,619,205	\$1,398,006	\$221,199

Note 5 – Deposits and Investments

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

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2016

	<u>2016</u>
Demand deposits	\$1,278,675
Certificates of deposit	<u>91,899</u>
Total deposits	<u><u>\$1,370,574</u></u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Note 7 – Interfund Balances

Advances

The Village advanced \$25,479 from the General Fund to the Police Levy Fund to primarily cover payroll costs during 2016. Of this amount, \$7,937 had been repaid as of December 31, 2016. However, the remaining \$17,542 balance was not repaid before the end of the fiscal year.

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 8 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 10 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 11 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
USDA Mortgage Revenue Bond 92-01	\$1,379,200	4.75%
USDA Mortgage Revenue Bond 92-03	293,100	4.75%
USDA General Obligation Bond 92-05	383,600	4.75%
Ohio Public Works Commission Loan	162,500	0.00%
Police Vehicle Lease	13,216	8.00%
Total	\$2,231,616	

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

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

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

The Village entered into a lease-purchase agreement during 2014 with Statewide Emergency Products, LLC for a police vehicle. The total lease amount, including interest is \$52,864, being paid in annual principal and interest payments of \$13,216, with the final lease payment being due in 2017.

Amortization

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

Year ending December 31:	USDA Mortgage Revenue	USDA General Obligation	OPWC Loan	Police Vehicle Lease
2017	\$109,234	\$25,021	\$12,500	\$13,216
2018	109,219	25,098	25,000	
2019	109,237	25,056	25,000	
2020	109,184	25,100	25,000	
2021	109,259	25,025	25,000	
2022-2026	546,063	125,186	50,000	
2027-2031	546,122	125,322		
2032-2036	546,007	125,218		
2037-2041	546,132	125,343		
2042-2046	327,628	75,107		
Total	<u>\$3,058,085</u>	<u>\$701,476</u>	<u>\$162,500</u>	<u>\$13,216</u>

Note 11 – Contingent Liabilities

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of the suit, management believes that the resolution of these matters will not materially adversely affect the Village’s financial condition.

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

Note 12 – Subsequent Events

During 2017, the Village started the North Main Street Reconstruction Project. The total cost of the project is \$454,853. Of this total, \$378,000 is paid through an Ohio Public Works Commission Grant, while the remainder of \$76,853 is paid by the Village. Additionally, the Village will also pay \$76,663 for sidewalk replacements. The project is estimated to be completed during 2018.

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2016

During 2017, the Village started the Duffield Street Project. The total cost of the project is \$86,783. Of this total, \$52,500 is paid through a Community Development Block Grant, while the remainder of \$34,283 is paid by the Village.

During 2017, the Village adopted Ordinance 2017-18, a resolution declaring necessity for a 1.00 mill tax levy for fire protection services of the Village of New Madison Ohio pursuant to Ohio Revised Code 5705.19(I). This levy subsequently passed during the November 7, 2017 general election.

During 2017, the Village adopted ordinance 2017-17 a resolution declaring the necessity for renewal of the 2.40 mill tax levy for the current operating expenses of the Village of New Madison, Ohio pursuant to Ohio Revised Code 5705.10(A). This levy subsequently passed during the November 7, 2017 general election.

Village of New Madison, Ohio
Darke County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$30,469	\$163,191	\$23,487	\$217,147
Municipal Income Tax	131,673			131,673
Intergovernmental	50,227	39,542	2,134	91,903
Charges for Services	60,321			60,321
Fines, Licenses and Permits	390			390
Earnings on Investments	2,891	17		2,908
Miscellaneous	1,122	1,536		2,658
<i>Total Cash Receipts</i>	<u>277,093</u>	<u>204,286</u>	<u>25,621</u>	<u>507,000</u>
Cash Disbursements				
Current:				
Security of Persons and Property	127,046	85,375		212,421
Public Health Services	1,280			1,280
Leisure Time Activities	2,182	981		3,163
Basic Utility Services	161,754			161,754
Transportation	1,800	64,123		65,923
General Government	20,695	1,456	594	22,745
Capital Outlay		54,268		54,268
Debt Service:				
Principal Retirement			6,200	6,200
Interest and Fiscal Charges			18,824	18,824
<i>Total Cash Disbursements</i>	<u>314,757</u>	<u>206,203</u>	<u>25,618</u>	<u>546,578</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(37,664)</u>	<u>(1,917)</u>	<u>3</u>	<u>(39,578)</u>
Other Financing Receipts (Disbursements)				
Transfers In		52,594		52,594
Transfers Out	(52,594)			(52,594)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(52,594)</u>	<u>52,594</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(90,258)	50,677	3	(39,578)
<i>Fund Cash Balances, January 1</i>	<u>247,161</u>	<u>68,943</u>	<u>63,077</u>	<u>379,181</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	0	0
Restricted	0	115,238	63,080	178,318
Committed	0	4,382	0	4,382
Assigned	97,380	0	0	97,380
Unassigned (Deficit)	59,523	0	0	59,523
<i>Fund Cash Balances, December 31</i>	<u>\$156,903</u>	<u>\$119,620</u>	<u>\$63,080</u>	<u>\$339,603</u>

See accompanying notes to the basic financial statements.

Village of New Madison, Ohio
Darke County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2015

	Enterprise
Operating Cash Receipts	
Charges for Services	\$412,950
<i>Total Operating Cash Receipts</i>	412,950
Operating Cash Disbursements	
Personal Services	215,041
Contractual Services	13,672
Supplies and Materials	26,614
General Government	214
<i>Total Operating Cash Disbursements</i>	255,541
<i>Operating Income (Loss)</i>	157,409
Non-Operating Receipts (Disbursements)	
Special Assessments	2,704
Principal Retirement	(39,600)
Interest and Other Fiscal Charges	(82,071)
<i>Total Non-Operating Receipts (Disbursements)</i>	(118,967)
<i>Net Change in Fund Cash Balances</i>	38,442
<i>Fund Cash Balances, January 1</i>	871,026
<i>Fund Cash Balances, December 31</i>	\$909,468

See accompanying notes to the basic financial statements.

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

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

Police Levy Fund The police levy fund receives property tax levy proceeds that are used to help operate the police department in the Village.

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

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

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund accounts for the provision of water treatment and distribution 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

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

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2015 budgetary activity appears in Note 4.

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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

Note 3 - Compliance

Contrary to Ohio law, the Village did not file the annual Certificate of Estimated Resources or Appropriations with the Darke County Auditor's Office during 2015. As a result, no determination could be made to verify whether estimated resources were greater than appropriation authority and whether expenditures exceeded appropriations. Appropriations posted to the financial accounting system could not be verified as correct.

Note 4 - Budgetary Activity

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$277,093	\$277,093
Special Revenue	0	256,880	256,880
Debt Service	0	25,621	25,621
Enterprise	0	415,654	415,654
Total	\$0	\$975,248	\$975,248

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$367,351	(\$367,351)
Special Revenue	0	206,203	(206,203)
Debt Service	0	25,618	(25,618)
Enterprise	0	377,212	(377,212)
Total	\$0	\$976,384	(\$976,384)

Note 5 – Deposits and Investments

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

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2015

	<u>2015</u>
Demand deposits	\$1,158,844
Certificates of deposit	<u>90,227</u>
Total deposits	<u><u>\$1,249,071</u></u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Note 7 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants’ gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
USDA Mortgage Revenue Bond 92-01	\$1,402,600	4.75%
USDA Mortgage Revenue Bond 92-03	298,100	4.75%
USDA General Obligation Bond 92-05	390,100	4.75%
Ohio Public Works Commission Loan	200,000	0.00%
Police Vehicle Lease	26,432	8.00%
Total	\$2,317,232	

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

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

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

The Village entered into a lease-purchase agreement during 2014 with Statewide Emergency Products, LLC for a police vehicle. The total lease amount, including interest is \$52,864, being paid in annual principal and interest payments of \$13,216, with the final lease payment being due in 2017.

Village of New Madison, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Amortization

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

Year ending December 31:	USDA Mortgage Revenue	USDA General Obligation	OPWC Loan	Police Vehicle Lease
2016	\$109,183	\$25,030	\$25,000	\$13,216
2017	109,234	25,021	25,000	13,216
2018	109,219	25,098	25,000	
2019	109,237	25,056	25,000	
2020	109,184	25,100	25,000	
2021-2025	546,130	125,233	75,000	
2026-2030	546,136	125,229		
2031-2035	545,998	125,233		
2036-2040	546,013	125,252		
2041-2045	436,934	100,254		
Total	<u>\$3,167,268</u>	<u>\$726,506</u>	<u>\$200,000</u>	<u>\$26,432</u>

Note 11 – Contingent Liabilities

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

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Dave Yost • Auditor of State

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

Village of New Madison
Darke County
124 South Harrison Street, PO Box 15
New Madison, Ohio 45346

To the Village Council:

We were engaged to audit the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of New Madison, Darke County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated December 7, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We did not opine on these financial statements because: management has not provided certain written representations required by Auditing Standard Section AU-C Section 580, *Written Representations*, including but not limited to, management's responsibility for preparing the financial statements in conformity with the Village's financial reporting framework, the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility of the Village's compliance with laws and regulations; the identification and disclosure of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, including budget laws, and compliance with any debt covenants. In addition, due to inadequacies related to the Village's income tax records, we could not verify or determine completeness of the Village's general fund income tax receipts in the amount of \$131,673 which is 47.5% of general fund receipts for the year ended December 31, 2015. The Village's adjusted bank reconciliation had an unsupported variance of \$55,844 as of December 31, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-002, 2016-005, 2016-006, 2016-009, and 2016-011 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001, 2016-003 through 2016-008, 2016-010, and 2016-012.

Village's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 7, 2018

**VILLAGE OF NEW MADISON
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

The Village was unable to provide documentation for the approved annual appropriations for the fiscal year ending December 31, 2015. Appropriations were entered into the accounting system; however, those appropriation amounts could not be verified as correct.

Since the Village was unable to provide supporting documentation for the 2015 appropriations, we could not verify that total expenditures plus contract commitments (including outstanding encumbrances) did not exceed appropriations.

Failure to maintain appropriation resolutions could result in overspending of funds and the inability to properly monitor budgetary activity.

The Village should develop and implement procedures to properly monitor its budgetary expectations related to appropriations and actual expenditures to determine that approved appropriations are sufficient to cover actual expenditures. Doing so would enable the Village to comply with budgetary requirements while limiting the risk of spending more than is appropriated.

Officials' Response:

Resolved and moving forward.

FINDING NUMBER 2016-002

Material Weakness

The Village completed bank to book reconciliations for each month during 2015 and 2016 on the UAN accounting system. The Village's monthly bank reconciliations from the period of June 2015 through December 2016 contained undetermined reconciling items that were listed as "payments not in UAN" or "deflating bank errors" in order to reconcile each month and the variances ranged in total from a low of \$11,229 in December 2015 to a high of \$64,982 in June 2015. These items resulted in inaccurate bank reconciliations and financial information (i.e. UAN reports) provided to the Village Council for the applicable months.

Additionally, the Village maintained four checking accounts which were funded from the main checking account during 2015. These accounts were not included on the Village's monthly bank reconciliations throughout 2015. At December 31, 2015, the Village's certificate of deposit amount on the reconciliation did not agree to the actual value of the certificate of deposit. The bank reconciliations at December 31, 2015 and at December 31, 2016 did not agree to the calculation of total bank and certificate of deposit balances plus reconciling items. The variances were \$11,229 and \$55,844 at year-end 2015 and 2016, respectively.

Bank reconciliations were also not completed in a timely manner to support the accuracy of the accounting information utilized at each applicable month end. The June, July, and August 2015 reconciliations were not completed until October 17 and 18, 2015 respectively. The November and December 2015 reconciliations were not completed until February 24, 2016. The January 2016 reconciliation was not completed until March 2, 2016.

**FINDING NUMBER 2016-002
 (Continued)**

We could not determine the nature of a 2015 overposting of property taxes in the amount of \$100,858. The Village was unable to provide support for this transaction. Furthermore, we could not determine if a total of \$18,101 in receipts from Darke County and the State of Ohio for local government distributions, gasoline excise tax, homestead/rollback, state and local highway distributions, and motor vehicle license tax were deposited at the bank or posted to the accounting system.

Failure to post all transactions in the UAN system in a timely manner could lead to errors in the reconciliation, inaccurate information being presented to the Council, and inaccurate financial reporting. Failure to identify, investigate, and correct reconciling errors could also lead to errors and irregularities occurring and not being detected in a timely manner.

The Village should implement procedures to verify that monthly bank reconciliations are prepared timely and correctly. The reconciliation should include all Village accounts at the correct bank amount. Additionally, financial transactions should be entered into the Village's accounting system accurately and timely and Village Council members should review and sign the bank reconciliation each month as verification that there are no errors.

Officials' Response:

Bank reconciliations – processed/balanced/posted monthly.

FINDING NUMBER 2016-003

Noncompliance

Ohio Rev. Code § 5705.40 states, in part, that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all un-liquidated and outstanding contracts or obligations certified from or against the appropriation. Transfers may be made by resolution or ordinance from one appropriation item to another.

The Village did not accurately post appropriations to the financial accounting system as follows:

Fund	Approved Appropriations as of December 2015	Appropriations Posted to the Accounting System as of December 2015	Variance
General Fund – 2015	Cannot Determine	\$251,923	(\$251,923)
Street Construction – 2015	Cannot Determine	\$ 75,000	(\$ 75,000)
Road Construction – 2015	Cannot Determine	\$ 43,872	(\$ 43,872)
Water Operating – 2015	Cannot Determine	\$173,472	(\$173,472)
Sewer Operating – 2015	Cannot Determine	\$351,000	(\$351,000)

Fund	Approved Appropriations as of January 2016	Appropriations Posted to the Accounting System as of January 2016	Variance
General Fund – 2016	\$386,755	\$388,765	(\$ 2,010)
Debt Service – 2016	\$135,000	\$125,000	\$10,000

**FINDING NUMBER 2016-003
 (Continued)**

Fund	Approved Appropriations as of December 2016	Appropriations Posted to the Accounting System as of December 2016	Variance
General Fund – 2016	\$386,755	\$380,265	\$ 6,490
Debt Service – 2016	\$135,000	\$248,222	(\$113,222)

The Village was unable to provide documentation for the approved annual appropriations for the fiscal year ending December 31, 2015. Appropriations were entered into the accounting system; however, those appropriation amounts could not be verified as correct.

Failure to properly post appropriations to the accounting system could result in an inability to properly monitor budgetary and actual financial activity.

The Village should implement procedures to verify that only Council-approved appropriations are entered into the accounting system.

Officials' Response:

Appropriations – resolved and moving forward.

FINDING NUMBER 2016-004

Noncompliance

Ohio Rev. Code § 5705.39 states, in part, that no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure.

The Village failed to file appropriations with the Darke County Auditor during 2015. As a result, the Village did not receive “do not exceed” certificates from the Darke County Auditor during 2015.

Further, **Ohio Rev. Code § 5705.39** provides, in part, that the total appropriation from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the county budget commission, or in case of appeal, by the board of tax appeals.

At December 31, 2016, the following fund had appropriations in excess of total certified estimated resources.

Fund	Approved Appropriations	Estimated Resources	Variance
Street Construction, Maintenance & Repair	\$57,700	\$37,441	\$20,259

The Village should implement a procedure to annually file all appropriations measures with the county auditor in a timely manner.

The Village should also take steps to verify that total appropriations do not exceed total estimated resources in any of its funds at any time during the fiscal year. Failure to do so could potentially cause the Village to spend more than the amount available for expenditure for any particular fund.

**FINDING NUMBER 2016-004
(Continued)**

Officials' Response:

Resolved and moving forward.

FINDING NUMBER 2016-005

Noncompliance and Material Weakness

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

Ohio Rev. Code § 733.28 states, in part, that the Village Clerk shall keep the books of the Village, exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and the income derived there from, and of all taxes and assessments. Additionally, **Ohio Admin. Code § 117-2-02(A)**, states, in part, that all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record, and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village's financial reports for 2015 and 2016 contained numerous errors which resulted in reclassifications and adjustments to correctly report the financial activity during the period as follows:

- Water Operating Enterprise Fund charges for services were improperly posted as special assessments in the amounts of \$149,992 in 2015 and \$3,848 in 2016.
- Sewer Operating Enterprise Fund charges for services were improperly posted as special assessments in the amounts of \$252,828 in 2015 and \$286,277 in 2016.
- 2015 Other Debt Service Fund property tax revenue was overstated by \$2,490 due to misposting Water Operating Enterprise Fund special assessments at net. As a result, Water Operating Enterprise Fund general government expenditures were understated by \$214 and special assessment revenue was understated by \$2,704.
- 2015 General Fund property taxes were overstated by \$9,523 and intergovernmental revenue understated by \$2,704 due to misposting of 2015 first half homestead and rollback reimbursements. Also as a result, Special Revenue funds intergovernmental revenue was understated by \$4,685. Debt service funds intergovernmental revenue was understated by \$2,134.
- General Fund intergovernmental revenue was overstated by \$640 and Police Levy Special Revenue Fund intergovernmental revenue was understated by the same amount in 2015 due to a misclassification of law enforcement assistance.
- General Fund property tax revenue was overstated by \$3,378 and Permissive Tax Special Revenue Fund property tax revenue was understated by the same amount in 2015 due to misclassification of tax receipts.
- 2015 General Fund intergovernmental revenue and property tax revenue were overstated by \$4,637 and \$518 respectively due to mis-postings of receipts.
- 2015 General Fund intergovernmental revenue was understated by \$4,661 due to local government receipts not properly posted in UAN.
- 2015 Other Debt Service Fund property tax receipts were overstated by \$6,771 due to mispostings of receipts.
- 2015 Street and Highway Special Revenue Funds intergovernmental revenue were understated by \$11,147 in total due to mispostings of receipts in incorrect funds.

FINDING NUMBER 2016-005
(Continued)

- 2015 General Fund intergovernmental revenue was overstated by \$1,080 and Park and Recreation Special Revenue Fund intergovernmental revenue was understated by the same amount due to the misposting of a grant reimbursement.
- 2015 General Fund property tax revenue and related general government expenditures were understated by \$29,610 and \$3,537 respectively due to posting receipts to improper funds as well as posting receipts at net instead of gross.
- 2015 Road Maintenance, Fire Levy and Police Levy Special Revenue Funds property tax revenue and related general government expenditures were understated by \$9,199, \$19,800, and \$23,375, respectively, and \$360, \$502, and \$540, respectively due to posting receipts to improper funds as well as posting receipts at net instead of gross.
- 2015 Other Debt Service Fund property tax revenue was overstated and related general government expenditures were understated by \$76,397 and \$594, respectively, due to posting receipts to improper funds as well as posting receipts at net instead of gross.
- 2016 Wastewater Levy Debt Service Fund property tax receipts were overstated by \$9,037 and Rural Development Debt Service Fund property tax receipts were understated by the same amount.
- 2016 Wastewater Levy Debt Service Fund property tax receipts were overstated by \$2,144 and Rural Development Debt Service Fund intergovernmental revenue was understated by the same amount due to misposting of homestead and rollback receipts.
- 2016 Road Construction Maintenance, Fire Levy and Police Levy Special Revenue Funds property tax receipts were overstated by \$769, \$1,781 and \$2,133, respectively, and their respective intergovernmental revenue was understated by the same amount due to misposting of homestead and rollback receipts.
- 2016 General Fund property tax revenue was overstated by \$4,474 and Permissive Tax Special Revenue Fund property tax revenue was understated by the same amount due to posting permissive tax receipts to the improper fund.
- 2016 General Fund intergovernmental revenue was overstated by \$769 and Road Construction Maintenance Special Revenue Fund intergovernmental revenue was understated by the same amount due to an improper fund used to account for homestead and rollback reimbursements.
- 2016 General Fund intergovernmental revenue was overstated by \$650 and Park Special Revenue Fund intergovernmental revenue was understated by the same amount.
- Principal and interest debt payments for the USDA General Obligation Bond were improperly posted in 2015 to the Sewer Operating Enterprise Fund as Personal Services for \$25,024 rather than the Other Debt Service Fund in the amounts of \$6,200 for principal and \$18,824 for interest, respectively.
- Principal and interest debt payments for the USDA Mortgage Revenue Bonds were improperly posted as Personal Services expenditures instead of Principal and Interest in the Sewer Operating Enterprise Fund during 2015 in the total amount of \$109,171, \$27,100 of which is principal and \$82,071 is interest.
- Principal and interest debt payments for the USDA Mortgage Revenue Bonds were misclassified in the Rural Development Debt Service Fund instead of the Sewer Operating Fund in the amounts of \$28,400 for principal and \$80,783 in interest or \$109,183 in total during 2016. The original recorded split was also incorrect for principal, \$6,367, and interest, \$102,816, expenditures respectively.
- The principal debt payment for the OPWC Loan was incorrectly posted as Personal Services instead of Principal in the Storm Sewer Enterprise Fund in the amount of \$12,500 in 2015.
- The principal debt payments for the OPWC Loan were incorrectly posted as Supplies and Materials in the Sewer Operating Enterprise Fund instead of Principal in the Storm Sewer Enterprise Fund in the amount of \$37,500 in 2016.
- 2015 Police Levy Special Revenue Fund Security of Persons and Property expenditures were overstated by \$13,216 and Capital Outlay expenditures were understated by the same amount due to misclassification of a lease payment.

FINDING NUMBER 2016-005
(Continued)

- The \$13,216 lease payment in 2016 was misclassified as security of persons and property expenditures in the General Fund for \$552 and Police Levy Special Revenue Fund for \$12,664 instead of capital outlay expenditures in the Police Levy Special Revenue Fund.
- 2016 Water Operating Enterprise Fund non-operating miscellaneous revenue and supplies and materials operating expense were both overstated by \$20,000 due to double posting on- behalf CDBG grant activity.
- 2016 Water Operating Enterprise Fund non-operating other financing sources and supplies and materials operating expense were both overstated by \$9,736 due to double posting on- behalf CDBG grant activity.
- 2016 Water Operating Enterprise Fund non-operating other financing sources was overstated by \$276,877 and non-operating intergovernmental revenue was understated by the same amount due to the misclassification of CDBG grant activity.
- 2016 Water Operating Enterprise Fund operating supplies and materials expense and non-operating intergovernmental revenue were both understated by \$10,000 due to not recording on- behalf CDBG grant activity.
- 2016 Capital Projects Fund transfers out were overstated by \$38,035 and Enterprise Funds transfers out were understated by the same amount due to the improper classification of the Wastewater Bond Construction Fund.

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

The Village's financial reports for 2015 and 2016 also contained errors which did not require reclassifications or adjustments as follows:

- 2015 General Fund Unassigned Fund Balance was overstated by \$4,920 and Assigned Fund Balance was understated by the same amount due to misclassification of outstanding encumbrances.
- 2016 Water Operating Enterprise Fund operating and non-operating miscellaneous revenue was overstated by \$8,390 and \$1,346, respectively, and Water Operating Enterprise Fund non-operating intergovernmental revenue was understated by \$9,736 due to misclassification of CDBG grant activity.
- 2016 Street Construction & Maintenance Special Revenue Fund intergovernmental revenue was understated by \$2,058 and State Highway Special Revenue Fund intergovernmental revenue was overstated by the same amount.
- 2016 General Fund property tax revenue was overstated by \$7,234 and income tax revenue was understated by the same amount.
- 2016 General Fund property tax revenue was overstated by \$2,695 and intergovernmental revenue was understated by the same amount due to misposting of homestead and rollback reimbursements.

Failure to maintain a complete and accurate accountability of public monies could lead to errors and irregularities occurring and not being detected in a timely manner. Inaccurate financial information could make it difficult for the Village Council to make important financial decisions and could also make it difficult to compare financial information from year to year.

**FINDING NUMBER 2016-005
(Continued)**

The Village should develop and implement procedures to improve the accuracy and completeness of the Village's financial statements. The posting of receipts and disbursements should be performed consistently with the instructions contained in the Ohio Village Officers Handbook and the Uniform Accounting Network (UAN) Chart of Accounts. Additionally, independent detailed reviews should be performed over the Village's accounting records as a means of providing for their completeness and accuracy.

Officials' Response:

Financial Statements – Due to the amount of incorrect procedures/lack of posting, filing & records, etc. the Village of New Madison is continuing to correct mistakes and working at moving forward.

FINDING NUMBER 2016-006

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(D), states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

Additionally, **Ohio Rev. Code § 5735.28** states that wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to sections 4501.04, 5735.23, and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways, or to pay principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133 of the Revised Code or incurred pursuant to section 5531.09 of the Revised Code for such purposes.

The Village did not properly allocate gas tax receipts, motor vehicle license tax receipts, and state and local government highway distribution receipts between the State Highway Fund and the Street Construction, Maintenance and Repair (SCM&R) Fund during 2015 or 2016 amounting to \$11,147 and \$2,058, respectively. As stated above, the State Highway Fund was to receive seven and one-half percent and the remaining amount of ninety-two and one-half percent was to be received by the SCM&R Fund. Additionally, this revenue should be recorded as intergovernmental revenue. Adjustments to correct the errors above for 2015 have been posted to the Village's accounting system and to the accompanying financial statements.

Failure to post revenues to the correct funds could result in incorrect fund balances being maintained and expenditures being paid with unallowable funds.

The Village should implement procedures to verify that all receipts are posted to the accounting system in accordance with the above code section. These receipts should also be recorded to the intergovernmental revenue line item. Due care should be used when posting transactions to the accounting system.

Officials' Response:

Corrected

FINDING NUMBER 2016-007

Noncompliance

26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

Additionally, **Ohio Rev. Code § 5747.07(B)(3)** states, in part, that if an employer's actual or required payments were more than two thousand dollars during the twelve-month period ending on the thirtieth day of June of the preceding calendar year, the employer shall make the payment of undeposited taxes for each month during which they were required to be withheld no later than fifteen days following the last day of that month. The employer shall file the return prescribed by the tax commissioner with the payment.

The Village was consistently late in remitting federal, state, and school district income taxes and filing the quarterly tax reports during 2015. The second quarter federal income tax remittances of 2014 were not paid until August 2015; the first and second quarter remittances of 2013, and the first, third and fourth quarter federal remittances of 2015 were not paid until April 2016 and included penalty and interest amounts totaling \$4,648 assessed by the Internal Revenue Service (IRS) and \$50 assessed by the Ohio Department of Taxation (ODT) paid by the Village for failure to remit taxes and file required reports. At December 31, 2015, the Village owed the IRS \$970 for unpaid income taxes and ODT \$414 for unpaid school taxes from the year ending December 31, 2014. These balances were paid in February and June 2016, respectively.

Policies and procedures should be established and implemented to verify that income taxes are properly and timely remitted to the IRS and Ohio Department of Taxation and required returns filed in a timely manner. Failure to do so could result in assessment of fines and penalties against the Village as well as possible findings for recovery being issued in future audits.

See finding number 2016-008 for finding of recovery related to late fees and penalties paid by the Village to the IRS and ODT.

We have referred this issue to the IRS and Ohio Department of Taxation.

Officials' Response:

Remittance of federal taxes – no longer an issue since January 2016.

FINDING NUMBER 2016-008

Noncompliance and Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, **Ohio Attorney General Opinion 82-006** indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Further, **Auditor of State Bulletin 2003-005** states that the Auditor of State's Office will only question expenditures where the legislative determination of a proper public purpose is manifestly arbitrary and incorrect.

FINDING NUMBER 2016-008
(Continued)

The law requires that employers withhold taxes from employees' paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees' share of FICA taxes and individual income taxes. See 26 U.S.C. §§ 3102(a) and 3402(a). Those withholdings are considered to be held in "a special fund in trust for the United States." 26 U.S.C. § 7501(a). The employer is liable for the withheld portion of the employee's wages and must pay over the full amount to the government each quarter. See *United States v. Farr*, 536 F.3d 1174, 1176 (10th Circ. 2008).

As Fiscal Officer, Wanda Lacey was the official responsible for withholding and remitting the required income taxes and retirement from Village employee earnings. Wanda Lacey withheld, as required, various taxes during 2015. However, at various points during 2015, Wanda Lacey failed to remit federal tax withholdings, state and school district tax withholdings and retirement pension withholdings of the Village's employees to the federal government, state government and Ohio Public Employees Retirement System (OPERS), respectively, in a timely manner, which resulted in gross neglect of duty amounting to reckless disregard for the Village. As a result, the Village incurred penalties and late charges from the federal government, state government and OPERS. These penalties and late charges totaled \$4,653 and were paid by the Village between January 2015 and April 2016. The payment of penalties and late charges is not considered to serve a proper public purpose and would have been avoided had the funds been remitted as required by law.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Wanda Lacey, former Fiscal Officer, in the amount of \$4,653, and in favor of the Village of New Madison. Wanda Lacey's bonding company is The Cincinnati Insurance Company.

The Village should implement policies and procedures to verify that all payroll withholdings and remittances are paid in a timely manner as to avoid any penalties and late charges. Failure to do so could result in waste of Village resources and findings for recovery.

Officials' Response:

All payroll withholdings and taxes are paid in the month withheld since January 2016.

FINDING NUMBER 2016-009

Material Weakness

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

FINDING NUMBER 2016-009
(Continued)

The following weaknesses were identified related to income tax administration:

- The only income tax records available for review were the income tax forms on file (i.e. individual, business and withholding). However, available returns were often not complete because many of the individual files had no tax return information or supporting documentation related to the 2015 tax year.
- For the Village's subsidiary computer system, CMI, which was to be used for income tax accounting, no system reports were generated related to 2015, and no reports were printed at any time during the audit period or during the period subsequent to the audit period.
- There was limited or no documentation supporting when income tax returns or payments were received by the Village for 2015.
- There was no apparent documentation to support the review, recalculation, or verification of income tax returns filed for 2015.
- There was no evidence to support that those who filed inaccurate returns or late returns were notified for 2015.
- There was no evidence to support that the Village took steps to verify that those who should be paying income taxes and/or filing a tax return were actually paying income taxes and/or filing a tax return for 2015 or 2016.
- There was no evidence to support that the Village took steps to collect unpaid taxes due for 2015 or 2016.
- For 2015, the Village's Fiscal Officer was paid a total salary of \$25,194. The Village income tax rate of one percent (1%) of these wages would be \$252. According to the annual payroll summary from the accounting system, the Fiscal Officer's local income taxes withheld were \$73, which was 0.3% of salaries and an underpayment of \$179. There was no individual file in the income tax files for the Fiscal Officer, nor any related returns or supporting documentation for the 2016 audit year (2015 income tax year).

The failure to maintain complete, accurate, and supported income tax forms and income tax accounting system reports could lead to a loss of revenue for the Village, as well as the inability to detect errors and irregularities promptly.

The Village should implement and strengthen procedures in relation to its income tax accounting system and consider the following:

- Ensure that the Village's personnel have been adequately trained to use any information technology systems and the applicable system is appropriately utilized, and reports generated, for income tax accounting;
- Rely on manual application controls (e.g., comparison of system data to non-system data) to assess whether the computer applications are functioning as intended, and keep records of such controls being performed;
- Obtain software support agreements with its application or hardware system vendor; and
- Ensure that operators/users back-up programs on a regular basis and store the back-ups in a secure off-site location.

Additionally, the Village should review the adopted ordinances related to the 1% income tax and the municipal income tax rules and regulations and the contents within. The Village should develop and implement procedures to verify that all the income tax ordinances are followed, and that all required income tax returns are filed and maintained. This might include matching applicable street names or area codes from other computer files (such as IRS or State files), making periodic inquiries to local employers for lists of employees, obtaining notices of utility hookups for new residents, etc.

**FINDING NUMBER 2016-009
 (Continued)**

Officials' Response:

Income tax software was not being utilized by previous clerk. No historical data is available due to lack of posting. SSI software was implemented in April 2016 and has been utilized since.

FINDING NUMBER 2016-010

Noncompliance and Finding for Recovery

Ohio Rev. Code § 149.351(A) states, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Section 149.38 to 149.42 of the Revised Code.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgement of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, **Ohio Attorney General Opinion 82-006** indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/"Proper Public Purpose"** states, in part, that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Village's former Fiscal Officer, Wanda Lacey, authorized the following payments during fiscal year 2015 which were deemed to not be for a proper public purpose and that could not be supported with underlying supporting documentation:

<u>Date</u>	<u>Check #</u>	<u>Vendor</u>	<u>Amount</u>
6/18/2015	26441	Scoob Cook	\$1,000
6/19/2015	26443	Scoob Cook	\$3,700
Total			\$4,700

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex. Rel. Village. Of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public Officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against former Village Fiscal Officer, Wanda Lacey, in the amount of \$4,700 and in favor of the Village's Sewer Operating Fund in the amount of \$4,700. Wanda Lacey's bonding company is The Cincinnati Insurance Company.

The Village's Board of Public Affairs (BPA) President signed the checks resulting in the improper payment. Accordingly, a Finding for Recovery in the amount of \$4,700 is hereby jointly and severally issued against Jason Cockerham, BPA President, and in favor of the Village's Sewer Operating Fund.

**FINDING NUMBER 2016-010
(Continued)**

The Village should implement procedures to verify that expenditures are paid only for proper public purpose items promoting the Village's operations. Failure to do so could result in additional non-compliant expenditures in future years as well as potential findings for recovery being issued in future audits.

Officials' Response:

Payments not issued without proper documentation or invoice.

FINDING NUMBER 2016-011

Material Weakness

The Village prepared its annual financial statements in accordance with the accounting practices the Auditor of State prescribes or permits. The Village's 2015 annual financial statements were adjusted for the following errors related to fund balance reporting:

- Governmental Accounting Standards Board (GASB) Statement 54, paragraph 16 (GASB Codification 1800.176) states, in part, that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. The Village failed to properly classify the amount by which appropriations exceeded estimated receipts for the subsequent year on the 2015 financial statements. \$97,380 should have been classified as assigned fund balance rather than unassigned fund balance in the General Fund.
- GASB Statement 54, paragraph 10 (GASB Codification 1800.170) states, in part, that amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority should be reported as committed fund balance. The Village failed to properly classify the original unaudited 2015 fund balance of the Parks and Recreation Fund as committed fund balance in the amount of \$4,382. Instead, it was originally classified incorrectly as assigned fund balance. The Village also failed to classify the Capital Projects restricted fund balance as Enterprise Fund balance in the amount of \$38,035 during 2015.

The accompanying financial statements have been adjusted for these errors.

Failure to classify fund balances in accordance with GASB 54 and Auditor of State Bulletin 2011-004 could lead to fund balance errors, misstated financial statements, and misleading financial statement information.

The Village should implement procedures to review GASB 54 requirements, including Auditor of State Bulletin 2011-004, and apply these requirements to all financial statement and footnote disclosures.

Officials' Response:

The Village did not provide a response to this finding.

FINDING NUMBER 2016-012

Noncompliance

Ohio Rev. Code § 5705.36(A)(1) states on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the preceding year.

Ohio Rev. Code § 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The Village failed to file year end balances and obtain a Certificate of Estimated Resources in 2015.

In addition, at December 31, 2016, actual unadjusted receipts were below estimated receipts in the General Fund and the Water Operating Fund by \$35,000 and \$20,000, respectively. However, the Village did not obtain an amended certificate of estimated resources and did not reduce appropriations.

Failure to obtain a reduced certificate of estimated resources and decrease the level of appropriations when actual revenue is below budgeted revenue could lead to a deficit spending situation.

The Village should establish policies and procedures to monitor estimated and actual revenues throughout the year and obtain an amended certificate if estimated resources are going to significantly vary from the original estimate to prevent over-appropriating available resources.

Officials' Response:

The Village did not provide a response to this finding.

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Village of New Madison

Incorporated 1845



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Revised Code Section 733.28 – Noncompliance and Material Weakness - Financial Statement Errors	Not corrected	Issue addressed and being corrected beginning January 2016
2014-002	Ohio Revised Code Section 5705.10(D) – Noncompliance and Material Weakness – Proper Allocation of Intergovernmental Revenues	Not corrected	Issue addressed and being corrected beginning January 2016
2014-003	26 USC Section 3403 – Noncompliance – Proper Withholding and Remittance of Taxes	Not corrected	Issue addressed and being corrected beginning January 2016
2014-004	Noncompliance/Finding for Recovery – Employee Taxes not Withheld and Remitted Appropriately	Not corrected	Issue addressed and being corrected beginning January 2016
2014-005	Material Weakness – Income Tax System, Records and Controls	Not corrected	Issue addressed and being corrected beginning January 2016
2014-006	Material Weakness – Bank Reconciliations	Not corrected	Issue addressed and being corrected beginning January 2016
2014-007	Material Weakness – Fund Balance Classifications	Not corrected	Issue addressed and being corrected beginning January 2016
2014-008	Material Weakness – Disbursement Process	Not corrected	Issue addressed and being corrected beginning January 2016
2014-009	Significant Deficiency – Review of Financial Information	Not corrected	Issue addressed and being corrected beginning January 2016

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Dave Yost • Auditor of State

VILLAGE OF NEW MADISON

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 27, 2018