



Dave Yost • Auditor of State



**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis.....	11
Statement of Activities – Cash Basis .....	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balance Governmental Fund .....	14
Reconciliation of Cash Basis Assets and Fund Balances to Net Position of Governmental Activities.....	15
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds.....	16
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Receipts, Disbursements and Changes In Fund Balance – Budget and Actual (Budget Basis)	
General Fund .....	18
Court Computerization Fund.....	19
Court Special General Projects Fund .....	20
Statement of Fund Net Position – Cash Basis Proprietary Funds.....	22
Statement of Cash Receipts, Disbursements and Changes in Fund Net Position - Cash Basis - Proprietary Funds .....	24
Statement of Fiduciary Assets and Liabilities - Cash Basis Fiduciary Fund .....	26
Notes to the Basic Financial Statements .....	27
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	47
Schedule of Findings.....	49

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Newton Falls  
Trumbull County  
19 N. Canal Street  
Newton Falls, Ohio 44444

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newton Falls, Trumbull County, Ohio (the Village), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic 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 cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newton Falls, Trumbull County, Ohio, as of December 31, 2014, and the respective changes in cash financial position and the respective budgetary comparison for the General, Court Computerization, and Court Special General Projects funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the Village's financial statements that collectively comprise its basic financial statements.

We applied no procedures to the Management's Discussion & Analysis presented on pages 3-10 of the report, and accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2016, 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

May 2, 2016

## **Village of Newton Falls, Trumbull County, Ohio**

### *Management's Discussion and Analysis*

*For the Year Ended December 31, 2014*

*Unaudited*

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This discussion and analysis of the Village of Newton Falls financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2014, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

### **Highlights**

Key highlights for 2014 are as follows:

- Net position of governmental activities decreased as a result of disbursements exceeding receipts due to decreases in income tax revenues as a result of less timely collections from taxpayers as well as a decrease in program revenues due to fewer charges for services and grant revenues collected.
- The Village issued a \$2,295,000 bond anticipation note at a rate of 1.10 percent for various improvements to the Broad Street Lighting, festival power, South Circuit voltavare conversion and upgrade, Warren Road substation addition, Church Street substation addition, and Peak Shaving Generator back-up. The issuance matures on June 25, 2015.

### **Using the Basic Financial Statements**

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

### **Report Components**

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

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

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

### **Basis of Accounting**

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

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

## Village of Newton Falls, Trumbull County, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2014

Unaudited

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### **Reporting the Village of Newton Falls as a Whole**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Village consists of all funds, agencies, departments and offices that are not legally separated from the Village.

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organizations' governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village approves the budget, the issuance of debt or the levying of taxes. The Village has no component unit.

The statement of net position and the statement of activities reflect how the Village did financially during 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

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

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

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

*Business-type activities* The Village has three business-type activities for the provision of water, sewer and electric. Business-type activities are financed by a fee charged to the customers receiving the service.

### **Reporting the Village of Newton Falls Most Significant Funds**

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



**Village of Newton Falls, Trumbull County, Ohio**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2014*

*Unaudited*

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the general fund, the court computerization special revenue fund, the court special general projects special revenue fund and the capital improvement capital projects fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three enterprise funds: the water fund, the sewer fund and the electric fund. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village has two internal service funds to account for employee health-care claims and utilities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

**The Village of Newton Falls as a Whole**

Table 1 provides a summary of the Village's net position for 2014 compared to 2013 on a cash basis.

(Table 1)

**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Cash and Cash Equivalents	\$1,171,813	\$1,259,004	\$2,925,252	\$1,997,443	\$4,097,065	\$3,256,447
Restricted Cash						
and Cash Equivalents	0	0	258,449	220,149	258,449	220,149
Internal Balances	21,858	11,407	(21,858)	(11,407)	0	0
<i>Total Assets</i>	<u>\$1,193,671</u>	<u>\$1,270,411</u>	<u>\$3,161,843</u>	<u>\$2,206,185</u>	<u>\$4,355,514</u>	<u>\$3,476,596</u>
<b>Net Position</b>						
Restricted for:						
Capital Outlay	\$222,323	\$278,299	\$0	\$0	\$222,323	\$278,299
Other Purposes	943,452	873,708	0	0	943,452	873,708
Debt Service	0	0	258,449	220,149	258,449	220,149
Unrestricted	27,896	118,404	2,903,394	1,986,036	2,931,290	2,104,440
<i>Total Net Position</i>	<u>\$1,193,671</u>	<u>\$1,270,411</u>	<u>\$3,161,843</u>	<u>\$2,206,185</u>	<u>\$4,355,514</u>	<u>\$3,476,596</u>

**Village of Newton Falls, Trumbull County, Ohio**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2014*

*Unaudited*

- Total governmental activities assets decreased from 2013. The decrease in equity in pooled cash and cash equivalents is largely due to disbursements outpacing receipts as a result of decreased income tax revenues as a result of less timely collections from taxpayers.
- Net position of business-type activities increased over 2013. This increase is due to the continued pay down of outstanding debt obligations and an increase in receipts as a result of the increases in water and sewer consumption.

Table 2 reflects the changes in net position for 2014 compared to 2013 on a cash basis.

(Table 2)  
**Changes in Net Position**

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Receipts:</b>						
<i>Program Receipts</i>						
Charges for Services	\$849,198	\$918,170	\$7,954,887	\$7,504,640	\$8,804,085	\$8,422,810
Operating Grants	223,103	466,323	0	0	223,103	466,323
Capital Grants and Contributions	0	5,563	46,096	67,512	46,096	73,075
<i>Total Program Receipts</i>	<u>1,072,301</u>	<u>1,390,056</u>	<u>8,000,983</u>	<u>7,572,152</u>	<u>9,073,284</u>	<u>8,962,208</u>
<i>General Receipts:</i>						
Property and Other Local Taxes	387,673	364,391	0	0	387,673	364,391
Income Taxes	766,696	880,460	0	0	766,696	880,460
Intergovernmental	89,124	185,314	0	0	89,124	185,314
Proceeds of Notes	0	0	2,295,000	2,495,000	2,295,000	2,495,000
Proceeds of OPWC Loans	0	0	441,119	0	441,119	0
Investment Earnings	72,869	138,069	0	0	72,869	138,069
Miscellaneous	80,204	280,106	44,812	42,860	125,016	322,966
<i>Total General Receipts</i>	<u>1,396,566</u>	<u>1,848,340</u>	<u>2,780,931</u>	<u>2,537,860</u>	<u>4,177,497</u>	<u>4,386,200</u>
<i>Total Receipts</i>	<u>2,468,867</u>	<u>3,238,396</u>	<u>10,781,914</u>	<u>10,110,012</u>	<u>13,250,781</u>	<u>13,348,408</u>
<b>Disbursements:</b>						
General Government	1,061,282	1,068,397	0	0	1,061,282	1,068,397
Security of Persons and Property	767,075	1,051,080	0	0	767,075	1,051,080
Leisure Time Activities	78,381	114,097	0	0	78,381	114,097
Community Environment	33,574	257,937	0	0	33,574	257,937
Transportation	416,482	456,475	0	0	416,482	456,475
Capital Outlay	172,384	155,829	0	0	172,384	155,829
Principal Retirement	14,214	409	0	0	14,214	409
Interest and Fiscal Charges	2,215	631	0	0	2,215	631
Water	0	0	1,932,618	1,449,543	1,932,618	1,449,543
Sewer	0	0	1,335,969	1,379,981	1,335,969	1,379,981
Electric	0	0	6,557,669	7,152,947	6,557,669	7,152,947
<i>Total Disbursements</i>	<u>2,545,607</u>	<u>3,104,855</u>	<u>9,826,256</u>	<u>9,982,471</u>	<u>12,371,863</u>	<u>13,087,326</u>
Change in Net Position	(76,740)	133,541	955,658	127,541	878,918	261,082
<i>Net Position, Beginning of Year</i>	<u>1,270,411</u>	<u>1,136,870</u>	<u>2,206,185</u>	<u>2,078,644</u>	<u>3,476,596</u>	<u>3,215,514</u>
<i>Net Position, End of Year</i>	<u>\$1,193,671</u>	<u>\$1,270,411</u>	<u>\$3,161,843</u>	<u>\$2,206,185</u>	<u>\$4,355,514</u>	<u>\$3,476,596</u>

**Village of Newton Falls, Trumbull County, Ohio**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2014*

*Unaudited*

Program revenues of governmental activities decreased in 2014, with the majority of the decrease due to fewer operating grant revenues received by the Village as the Village continues to seek out additional sources of revenue. General revenues of governmental activities decreased from 2013 due to the decrease in income taxes and intergovernmental revenues as a result of less timely collections.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, the village manager, the finance office, law department, and the municipal court.

Security of persons and property are the costs of police protection; leisure time activities are the costs of maintaining the parks and playing fields; transportation is the cost of maintaining the streets and community environment is the code enforcement officer.

The Village made an effort to lower disbursements to help ensure positive cash balances.

**Governmental and Business-Type Activities**

If you look at the Statement of Activities on pages 14 and 15, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and security of persons and property. Transportation also represents a significant cost. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) columns compare the program receipts for governmental and business-type activities to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. A comparison between the total cost of services and the net cost for governmental and business-type activities is presented in Table 3.

(Table 3)

	Governmental Activities		Business-Type Activities	
	Total Cost Of Services 2014	Net Cost of Services 2014	Total Cost Of Services 2014	Net Cost of Services 2014
General Government	\$1,061,282	\$705,288	\$0	\$0
Security of Persons and Property	767,075	446,682	0	0
Leisure Time Activities	78,381	58,003	0	0
Community Environment	33,574	26,307	0	0
Transportation	416,482	196,057	0	0
Capital Outlay	172,384	24,540	0	0
Principal Retirement	14,214	14,214	0	0
Interest and Fiscal Charges	2,215	2,215	0	0
Water	0	0	1,932,618	225,062
Sewer	0	0	1,335,969	(81,125)
Electric	0	0	6,557,669	1,681,336
<i>Total Expenses</i>	<u>\$2,545,607</u>	<u>\$1,473,306</u>	<u>\$9,826,256</u>	<u>\$1,825,273</u>

The dependence upon income tax and other tax receipts is apparent as the majority of governmental activities are supported through these general receipts.

## **Village of Newton Falls, Trumbull County, Ohio**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2014*

*Unaudited*

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### **The Village of Newton Falls Funds**

Total governmental funds had receipts of \$2,436,672 and disbursements of \$2,526,350. The greatest change within governmental funds occurred within the court special general projects fund as the result of revenues exceeding expenditures due to fines, licenses and permits revenue received outpacing capital outlays.

General fund disbursements were greater than receipts indicating that the general fund is in a deficit spending situation. It was the recommendation of the finance committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers.

The court computerization fund balance decreased due to expenditures exceeding revenues because of increased capital outlays exceeding decreased collections of fees, licenses and permits revenue.

The court special general projects fund balance increased due to revenues exceeding expenditures because of fees, licenses and permits revenue collected outpacing capital outlays.

The capital improvement fund balance decreased due to capital outlays exceeding revenues during the year due to continued construction projects.

### **General Fund Budgeting Highlights**

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

The Village's final budgeted receipts were more than actual receipts. The negative difference was due to lower than expected collections of general fund revenues, mainly due to over estimating revenues.

Final budgeted disbursements were more than actual disbursements. The positive difference was due to greater spending controls for general government, security of persons and property and community environment.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure.

**Village of Newton Falls, Trumbull County, Ohio**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2014*

*Unaudited*

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Debt

At December 31, 2014, the Village's outstanding debt included:

**Table 4**  
*Outstanding Long-Term Obligations at Year End*

	2014	2013
<b><i>Governmental -Type Debt:</i></b>		
Capital Lease	\$43,712	\$57,500
Police and Fire Pension Liability	14,116	14,542
Total	\$57,828	\$72,042
<b><i>Business-Type Debt:</i></b>		
Mortgage Revenue Bonds	\$6,703,200	\$6,788,600
OWDA Loans	1,589,582	1,745,770
OPWC Loans	679,750	273,996
Bond Anticipation Note	2,295,000	2,495,000
Total	\$11,267,532	\$11,303,366

The Ohio police pension liability will be paid from the police pension special revenue fund. The mortgage revenue bonds will be paid with user charges from the sewer enterprise fund. The OWDA and OPWC loans will be paid with user charges from the water and sewer enterprise funds.

During 2013, the Village entered into a four year capital lease with U.S. Bank for a street sweeper for the principal amount of \$57,500. The lease will be paid from the debt service fund.

During 2014, the Village of Newton Falls issued a bond anticipation note for \$2,295,000 payable at a rate of 1.10 percent, for various improvements to the Broad Street Lighting, festival power, South Circuit voltavare conversion and upgrade, Warren Road substation addition, Church Street substation addition, and Peak Shaving Generator back-up. This issuance matures on June 25, 2015.

Mortgage Revenue bonds of the Village of Newton Falls are obligations of the Village secured by a mortgage upon all assets of the sewer system. These bonds are payable solely from gross revenues of the sewer system after provisions for operating and maintenance expenses. These bond indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for services to customers in sufficient amounts to satisfy the annual obligation under the indenture agreement. In addition, special provisions exist regarding covenant violations, redemptions of principal, payment of interest, establishing renewal and replacement accounts and maintenance of properties.

As of December 31, 2014 the Sewer Revenue Bonds have a redemption price of 1.01 percent. The restrictions that were placed upon these bonds by the indenture as of December 31, 2013, restricted the Village's Sewer fund assets in the amount of \$258,449 for operation and maintenance.

The Village's overall legal debt margin was \$6,300,201 with an unvoted debt margin of \$3,300,105 at December 31, 2014.

See Note 11 to the basic financial statements for additional information on the Village's debt.

**Village of Newton Falls, Trumbull County, Ohio**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2014*

*Unaudited*

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**Current Issues**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

The Village continues to seek out alternative funding in the way of grants to help our financial baseline. The Village is also seeking to continue the improvements to both the electrical and the water/sewer infrastructure to offer our citizens the services they have come to expect.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Tracy Reimbold, Finance Director, Village of Newton Falls, 419 North Center Street, Newton Falls, Ohio, 44444.

**Village of Newton Falls, Ohio**  
*Statement of Net Position - Cash Basis*  
*December 31, 2014*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,171,813	\$2,925,252	\$4,097,065
Restricted Equity in Pooled Cash and Cash Equivalents	0	258,449	258,449
Internal Balances	21,858	(21,858)	0
<i>Total Assets</i>	<u>\$1,193,671</u>	<u>\$3,161,843</u>	<u>\$4,355,514</u>
<b>Net Position</b>			
Restricted for:			
Capital Projects	\$222,323	\$0	\$222,323
Other Purposes	943,452	0	943,452
Debt Service	0	258,449	258,449
Unrestricted	27,896	2,903,394	2,931,290
<i>Total Net Position</i>	<u>\$1,193,671</u>	<u>\$3,161,843</u>	<u>\$4,355,514</u>

See accompanying notes to the basic financial statements

**Village of Newton Falls, Ohio**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2014*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating Grants	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$1,061,282	\$355,994	\$0	\$0
Security of Persons and Property	767,075	311,392	9,001	0
Leisure Time Activities	78,381	20,378	0	0
Community Environment	33,574	7,267	0	0
Transportation	416,482	6,323	214,102	0
Capital Outlay	172,384	147,844	0	0
Principal Retirement	14,214	0	0	0
Interest and Fiscal Charges	2,215	0	0	0
<i>Total Governmental Activities</i>	<u>2,545,607</u>	<u>849,198</u>	<u>223,103</u>	<u>0</u>
<b>Business-Type Activities</b>				
Water	1,932,618	1,707,556	0	0
Sewer	1,335,969	1,370,998	0	46,096
Electric	6,557,669	4,876,333	0	0
<i>Total Business-Type Activities</i>	<u>9,826,256</u>	<u>7,954,887</u>	<u>0</u>	<u>46,096</u>
<i>Total</i>	<u>\$12,371,863</u>	<u>\$8,804,085</u>	<u>\$223,103</u>	<u>\$46,096</u>

**General Receipts**

Property Taxes Levied for:

    General Purposes

    Permissive Auto

    Police Pension

Municipal Income Taxes Levied for:

    General Purposes

    Street, Construction, Maintenance and Repair

    Parks and Recreation

    Capital Improvements

Grants and Entitlements not Restricted to Specific Programs

Bond Anticipation Notes Issued

OPWC Loans Issued

Investment Earnings

Miscellaneous

*Total General Receipts*

*Change in Net Position*

*Net Position Beginning of Year*

*Net Position End of Year*

See accompanying notes to the basic financial statements



Net (Disbursements) Receipts  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$705,288)	\$0	(\$705,288)
(446,682)	0	(446,682)
(58,003)	0	(58,003)
(26,307)	0	(26,307)
(196,057)	0	(196,057)
(24,540)	0	(24,540)
(14,214)	0	(14,214)
(2,215)	0	(2,215)
<u>(1,473,306)</u>	<u>0</u>	<u>(1,473,306)</u>
0	(225,062)	(225,062)
0	81,125	81,125
0	(1,681,336)	(1,681,336)
<u>0</u>	<u>(1,825,273)</u>	<u>(1,825,273)</u>
<u>(1,473,306)</u>	<u>(1,825,273)</u>	<u>(3,298,579)</u>
275,089	0	275,089
94,471	0	94,471
18,113	0	18,113
608,846	0	608,846
63,140	0	63,140
63,140	0	63,140
31,570	0	31,570
89,124	0	89,124
0	2,295,000	2,295,000
0	441,119	441,119
72,869	0	72,869
80,204	44,812	125,016
<u>1,396,566</u>	<u>2,780,931</u>	<u>4,177,497</u>
(76,740)	955,658	878,918
<u>1,270,411</u>	<u>2,206,185</u>	<u>3,476,596</u>
<u>\$1,193,671</u>	<u>\$3,161,843</u>	<u>\$4,355,514</u>

**Village of Newton Falls, Ohio**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2014*

	General	Court Computerization	Court Special General Projects	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$0	\$243,378	\$313,455	\$221,631	\$377,188	\$1,155,652
Restricted Assets: Equity in Pooled Cash and Cash Equivalents	8,166	0	0	0	0	8,166
<i>Total Assets</i>	<u>\$8,166</u>	<u>\$243,378</u>	<u>\$313,455</u>	<u>\$221,631</u>	<u>\$377,188</u>	<u>\$1,163,818</u>
<b>Fund Balances</b>						
Nonspendable	\$9,868	\$0	\$0	\$0	\$0	\$9,868
Restricted	255	243,378	313,455	221,631	377,188	1,155,907
Assigned	29,816	0	0	0	0	29,816
Unassigned	(31,773)	0	0	0	0	(31,773)
<i>Total Fund Balances</i>	<u>\$8,166</u>	<u>\$243,378</u>	<u>\$313,455</u>	<u>\$221,631</u>	<u>\$377,188</u>	<u>\$1,163,818</u>

See accompanying notes to the basic financial statements

**Village of Newton Falls, Ohio**  
*Reconciliation of Cash Basis Assets and Fund Balances to  
Net Position of Governmental Activities  
December 31, 2014*

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<b>Total Governmental Funds Balances</b>	<b>\$1,163,818</b>
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*Amounts reported for governmental activities in the  
statement of net position are different because*

The internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in the statement of net position:

Net Position	7,995
Internal Balances	<u>21,858</u>

Total	<u>29,853</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$1,193,671</u></u>
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See accompanying notes to the basic financial statements

**Village of Newton Falls, Ohio**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2014

	General	Court Computerization	Court Special General Projects	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property Taxes	\$275,089	\$0	\$0	\$0	\$112,584	\$387,673
Municipal Income Taxes	608,846	0	0	31,570	126,280	766,696
Intergovernmental	89,124	0	0	0	223,103	312,227
Charges for Services	18,785	0	0	0	26,701	45,486
Fines, Licenses and Permits	630,051	55,189	88,375	0	30,097	803,712
Investment Earnings	72,869	0	0	0	0	72,869
Miscellaneous	37,334	0	0	560	10,115	48,009
<i>Total Receipts</i>	<u>1,732,098</u>	<u>55,189</u>	<u>88,375</u>	<u>32,130</u>	<u>528,880</u>	<u>2,436,672</u>
<b>Disbursements</b>						
Current:						
General Government	1,037,624	0	0	0	13,780	1,051,404
Security of Persons and Property	742,128	0	0	0	18,325	760,453
Leisure Time Activities	0	0	0	0	78,381	78,381
Community Environment	18,293	0	0	0	15,281	33,574
Transportation	0	0	0	0	413,725	413,725
Capital Outlay	0	86,701	12,966	72,717	0	172,384
Debt Service:						
Principal Retirement	0	0	0	13,788	426	14,214
Interest and Fiscal Charges	0	0	0	1,601	614	2,215
<i>Total Disbursements</i>	<u>1,798,045</u>	<u>86,701</u>	<u>12,966</u>	<u>88,106</u>	<u>540,532</u>	<u>2,526,350</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(65,947)</u>	<u>(31,512)</u>	<u>75,409</u>	<u>(55,976)</u>	<u>(11,652)</u>	<u>(89,678)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	7,500	0	0	0	44,794	52,294
Transfers Out	(44,794)	0	0	0	(7,500)	(52,294)
<i>Total Other Financing Sources (Uses)</i>	<u>(37,294)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,294</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(103,241)</u>	<u>(31,512)</u>	<u>75,409</u>	<u>(55,976)</u>	<u>25,642</u>	<u>(89,678)</u>
<i>Fund Balances</i>						
<i>Beginning of Year</i>	<u>111,407</u>	<u>274,890</u>	<u>238,046</u>	<u>277,607</u>	<u>351,546</u>	<u>1,253,496</u>
<i>Fund Balances End of Year</i>	<u>\$8,166</u>	<u>\$243,378</u>	<u>\$313,455</u>	<u>\$221,631</u>	<u>\$377,188</u>	<u>\$1,163,818</u>

See accompanying notes to the financial statements

**Village of Newton Falls, Ohio**

*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes  
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2014*

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**Net Change in Fund Balance - Total Governmental Funds** (\$89,678)

*Amounts reported for governmental activities in the  
statement of net position are different because*

The internal service fund used by management is not reported in the Village-wide statement of activities. Governmental fund disbursements and related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the different governmental activities:

Change in Net Position	2,487
Internal Balances	<u>10,451</u>

Total	<u>12,938</u>
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*Change in Net Position of Governmental Activities* (\$76,740)

See accompanying notes to the basic financial statements

**Village of Newton Falls, Ohio**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual (Budget Basis)  
 General Fund  
 For the Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property Taxes	\$415,812	\$406,729	\$250,840	(\$155,889)
Municipal Income Taxes	784,992	767,844	473,549	(294,295)
Intergovernmental	147,739	144,512	89,124	(55,388)
Charges for Services	31,139	30,459	18,785	(11,674)
Fines, Licenses and Permits	1,044,422	1,021,606	630,051	(391,555)
Investment Earnings	120,793	118,155	72,869	(45,286)
Miscellaneous	410,036	400,914	196,880	(204,034)
<i>Total Receipts</i>	<u>2,954,933</u>	<u>2,890,219</u>	<u>1,732,098</u>	<u>(1,158,121)</u>
<b>Disbursements</b>				
Current:				
General Government	1,679,733	1,671,240	1,056,529	614,711
Security of Persons and Property	1,195,024	1,188,983	751,654	437,329
Community Environment	29,457	29,308	18,528	10,780
<i>Total Disbursements</i>	<u>2,904,214</u>	<u>2,889,531</u>	<u>1,826,711</u>	<u>1,062,820</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>50,719</u>	<u>688</u>	<u>(94,613)</u>	<u>(95,301)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	7,500	7,500	7,500	0
Transfers Out	(71,216)	(70,856)	(44,794)	26,062
<i>Total Other Financing Sources (Uses)</i>	<u>(63,716)</u>	<u>(63,356)</u>	<u>(37,294)</u>	<u>26,062</u>
<i>Net Change in Fund Balance</i>	(12,997)	(62,668)	(131,907)	(69,239)
<i>Fund Balance Beginning of Year</i>	68,883	68,883	68,883	0
Prior Year Encumbrances Appropriated	42,269	42,269	42,269	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$98,155</u>	<u>\$48,484</u>	<u>(\$20,755)</u>	<u>(\$69,239)</u>

See accompanying notes to the basic financial statements

**Village of Newton Falls, Ohio**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual (Budget Basis)  
 Court Computerization Fund  
 For the Year Ended December 31, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Fines, Licenses and Permits	\$60,000	\$60,000	\$55,189	(\$4,811)
<b>Disbursements</b>				
Capital Outlay	71,554	87,000	86,888	112
<i>Net Change in Fund Balance</i>	(11,554)	(27,000)	(31,699)	(4,699)
<i>Fund Balance Beginning of Year</i>	253,336	253,336	253,336	0
Prior Year Encumbrances Appropriated	21,554	21,554	21,554	0
<i>Fund Balance End of Year</i>	<u>\$263,336</u>	<u>\$247,890</u>	<u>\$243,191</u>	<u>(\$4,699)</u>

See accompanying notes to the basic financial statements

**Village of Newton Falls, Ohio**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual (Budget Basis)  
 Court Special General Projects Fund  
 For the Year Ended December 31, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Fines, Licenses and Permits	\$75,000	\$75,000	\$88,375	\$13,375
<b>Disbursements</b>				
Capital Outlay	10,000	13,000	12,966	34
<i>Net Change in Fund Balance</i>	65,000	62,000	75,409	13,409
<i>Fund Balance Beginning of Year</i>	238,046	238,046	238,046	0
<i>Fund Balance End of Year</i>	<u>\$303,046</u>	<u>\$300,046</u>	<u>\$313,455</u>	<u>\$13,409</u>

See accompanying notes to the basic financial statements



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**Village of Newton Falls, Ohio**  
*Statement of Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*December 31, 2014*

	Enterprise		
	Water	Sewer	Electric
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,157,664	\$626,754	\$1,140,834
Restricted Equity in Pooled Cash and Cash Equivalents	0	258,449	0
<b>Total Assets</b>	<b>\$1,157,664</b>	<b>\$885,203</b>	<b>\$1,140,834</b>
<b>Net Position</b>			
Restricted for Debt Service	\$0	\$258,449	\$0
Unrestricted	1,157,664	626,754	1,140,834
<b>Total Net Position</b>	<b>\$1,157,664</b>	<b>\$885,203</b>	<b>\$1,140,834</b>

Net position reported for business-type activities in the statement of net position are different because they include accumulated overpayments to the internal service funds:

Net position of business-type activities:

See accompanying notes to the basic financial statements

<u>Funds</u>	
<u>Total</u>	<u>Internal Service</u>
\$2,925,252	\$7,995
<u>258,449</u>	<u>0</u>
<u>\$3,183,701</u>	<u>\$7,995</u>
\$258,449	\$0
<u>2,925,252</u>	<u>7,995</u>
3,183,701	<u>\$7,995</u>
<u>(21,858)</u>	
<u>\$3,161,843</u>	

**Village of Newton Falls, Ohio**  
*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Position - Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2014*

	Enterprise		
	Water	Sewer	Electric
<b>Operating Receipts</b>			
Charges for Services	\$1,707,556	\$1,370,998	\$4,876,333
Miscellaneous	5,309	2,353	37,150
<i>Total Operating Receipts</i>	<u>1,712,865</u>	<u>1,373,351</u>	<u>4,913,483</u>
<b>Operating Disbursements</b>			
Personal Services	611,403	432,294	251,835
Travel and Transportation	351	30	6,558
Contractual Services	183,066	184,524	3,464,339
Materials and Supplies	148,977	38,981	56,439
Claims	0	0	0
Capital Outlay	561,284	75,922	24,220
Miscellaneous	208,175	208,175	208,205
<i>Total Operating Disbursements</i>	<u>1,713,256</u>	<u>939,926</u>	<u>4,011,596</u>
<i>Operating Income (Loss)</i>	<u>(391)</u>	<u>433,425</u>	<u>901,887</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Redemption of Principal	(181,451)	(95,502)	(2,495,000)
Interest and Fiscal Charges	(33,544)	(297,422)	(48,108)
Bond Anticipation Notes Issued	0	0	2,295,000
Proceeds of OPWC Loans	441,119	0	0
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>226,124</u>	<u>(392,924)</u>	<u>(248,108)</u>
<i>Income (Loss) before Capital Contributions</i>	225,733	40,501	653,779
Capital Contributions	0	46,096	0
<i>Change in Net Position</i>	225,733	86,597	653,779
<i>Net Position Beginning of Year</i>	<u>931,931</u>	<u>798,606</u>	<u>487,055</u>
<i>Net Position End of Year</i>	<u><u>\$1,157,664</u></u>	<u><u>\$885,203</u></u>	<u><u>\$1,140,834</u></u>

Some amounts reported for business-type activities in the statement of activities are different because a portion of the net disbursements of the internal service funds is reported with business-type activities:

Change in net position of business-type activities:

See accompanying notes to the basic financial statements

<u>Funds</u>	
<u>Total</u>	<u>Internal Service</u>
\$7,954,887	\$776,738
44,812	32,195
<u>7,999,699</u>	<u>808,933</u>
1,295,532	0
6,939	0
3,831,929	0
244,397	0
0	806,446
661,426	0
624,555	0
<u>6,664,778</u>	<u>806,446</u>
<u>1,334,921</u>	<u>2,487</u>
(2,771,953)	0
(379,074)	0
2,295,000	0
441,119	0
<u>(414,908)</u>	<u>0</u>
920,013	2,487
46,096	0
966,109	2,487
	<u>5,508</u>
	<u>\$7,995</u>
<u>(10,451)</u>	
<u>\$955,658</u>	

**Village of Newton Falls, Ohio**  
*Statement of Fiduciary Assets and Liabilities - Cash Basis*  
*Fiduciary Fund*  
*December 31, 2014*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$192,894
Cash and Cash Equivalents:	
In Segregated Accounts	<u>28,961</u>
<i>Total Assets</i>	<u><u>\$221,855</u></u>
<b>Liabilities</b>	
Deposits Held and Due to Others	<u><u>\$221,855</u></u>

See accompanying notes to the basic financial statements

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**Note 1 - Reporting Entity**

The Village of Newton Falls, Trumbull County, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a five-member council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village are not misleading.

***Primary Government***

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government of the Village of Newton Falls provides the following services to its citizens: general government services, street maintenance services, park and recreation services, water, sewer and electric utilities and police protection. The Village contracts with the Newton Falls Joint Fire District to provide fire protection services. Council has direct responsibility for these services.

***Joint Ventures***

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

The Village participates in the Ohio Municipal Electric Generation Agency (JV1) joint venture presented in Note 12 of the basic financial statements.

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

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Villages accounting policies.

***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

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

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

***Fund Accounting***

The Village uses 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 in three categories: governmental, proprietary and fiduciary.

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

***General Fund*** The general fund accounts for and reports all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Court Computerization Fund*** The special revenue fund accounts for and reports the portion of restricted court costs received by the Village restricted for the computerization and use of Computerized Legal Research for the operations of the Newton Falls Municipal Court.



**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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***Court Special General Projects Fund*** The special revenue fund accounts for and reports the portion of restricted court costs received by the Village restricted for the efficient operation and upgrade needs of the Newton Falls Municipal Court.

***Capital Improvement Fund*** The capital improvements fund accounts for and reports that portion of municipal income tax restricted for the purpose of improving, constructing, and purchasing the equipment necessary to enhance the operation of the Village.

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

***Proprietary Funds*** The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

***Enterprise Funds*** – Enterprise funds may be used to account for an activity for which a fee is charged to external users for goods or services. The following are the Village’s major enterprise funds:

***Water Fund*** The water fund accounts for receipts generated from the charges for distribution of water service to the residential and commercial users located within the water district.

***Sewer Fund*** The sewer fund accounts for sewer services to the residential and commercial users located within the sewer district. The costs of providing these services are financed primarily through user charges.

***Electric Fund*** The electric fund accounts for electric services to the residential and commercial users located within the Village and also customers located outside Village limits. The costs of providing these services are financed primarily through user charges.

***Internal Service Funds*** – The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the Village on a cost-reimbursement basis. The Village’s internal service funds report on Village departments’ self insurance programs for employee medical benefits and utilities.

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

***Basis of Accounting***

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

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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

***Cash and Cash Equivalents***

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

The Village has segregated bank accounts for monies held separate from the Village's central bank account. These depository accounts are presented on the balance sheet as "cash and cash equivalents in segregated accounts."

During 2014, investments were limited to mutual funds, taxable bonds and STAR Ohio, the State Treasurer's Investment Pool.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act to 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on December 31, 2014.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2014 amounted to \$72,869, which includes \$72,358 assigned from other Village funds.

Investments are reported as assets. Accordingly purchases of investments are not recorded as disbursements, as sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenues), respectively. For presentation on the financial statements, the Village classifies investments of the cash management pool as cash equivalents.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted. Pursuant to a bond indenture for the sewer fund, restricted assets include certain revenue bond debt proceeds, funds reserved for the redemption of matured revenue bond interest, funds reserved for the replacement of assets and funds to cover unexpected contingencies.

***Inventory and Prepaid Items***

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

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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***Capital Assets***

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

***Internal Balances***

Interfund balances resulting from transactions between funds for services provided or goods received are eliminated except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances on the statement of net position.

***Accumulated Leave***

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

***Employer Contributions to Cost-Sharing Pension Plans***

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***Long-term Obligations***

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

***Fund Balance***

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

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

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

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

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by Village Council. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by Village ordinance, or by State Statute. State statute authorizes the finance director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

***Net Position***

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation (adopted by the Village) or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include parks and recreation, law library and court computerization.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

***Interfund Activity***

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2014

and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

***Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate. The appropriations ordinance is the Village Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established by the Village Council at the object level for all funds. Any budgetary modifications at this level may only be made by ordinance of the Village Council.

The certificate of estimated resources may be amended during the year if the Village Finance Director projects increases or decreases in receipts. The amounts reported as the original and final budget in the budgetary statements reflect the amounts in the amended certificate of estimated resources in effect at the time the original and final appropriations ordinance were passed by Village Council.

The Village Council may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation ordinance for a fund covering the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation ordinance the Village Council passed during the year.

**Note 3 - Fund Balances**

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

Fund Balances	General	Court Computerization	Court Special General Projects	Capital Improvement	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>						
Unclaimed Monies	\$9,868	\$0	\$0	\$0	\$0	\$9,868
<b><i>Restricted for</i></b>						
Recreation	0	0	0	0	50,547	50,547
Public Safety	0	243,378	313,455	0	141,658	698,491
Street Maintenance	0	0	0	0	158,353	158,353
Enforcement and Education	0	0	0	0	20,341	20,341
Community Development	255	0	0	0	5,597	5,852
Capital Improvements	0	0	0	221,631	692	222,323
<i>Total Restricted</i>	<u>255</u>	<u>243,378</u>	<u>313,455</u>	<u>221,631</u>	<u>377,188</u>	<u>1,155,907</u>
<b><i>Assigned to</i></b>						
Purchases on Order	29,816	0	0	0	0	29,816
<b><i>Unassigned</i></b>	<u>(31,773)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(31,773)</u>
<b><i>Total Fund Balances</i></b>	<u><u>\$8,166</u></u>	<u><u>\$243,378</u></u>	<u><u>\$313,455</u></u>	<u><u>\$221,631</u></u>	<u><u>\$377,188</u></u>	<u><u>\$1,163,818</u></u>

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis for the general fund, court computerization and court special general projects special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned of fund balance (cash basis). The general fund encumbrances outstanding at year end (budgetary basis) amounted to \$28,666 and the court computerization and court special general projects special revenue funds encumbrances outstanding at year end (budgetary basis) amounted to \$187 and \$0, respectively.

**Note 5 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain commercial paper notes and bankers' acceptances for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

**Investments**

Investments are reported at fair value. As of December 31, 2014, the Village had the following investments:

	Fair Value	Maturity	Standard & Poor's	Percent of Total Investments
Mutual Funds	\$1,915,529	Daily	AA+	60.76%
Taxable Bonds	1,232,900	Five years	AA+	39.10
STAR Ohio	4,412	Average 50.1 Days	AAAm	N/A
<i>Totals</i>	<u>\$3,152,841</u>			

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the Village's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase, unless they are matched to a specific obligation or debt of the Village, and that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**Credit Risk** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Village has no investment policy that addresses credit risk.

**Concentration of Credit Risk** The Village places no limit on the amount it may invest in any one issuer.

**Note 6 – Taxes**

**Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes were levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2014 was \$2.50 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2014 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$44,088,830
Other Real Estate	15,418,110
Public Utility Personal Property	<u>494,970</u>
Total	<u><u>\$60,001,910</u></u>

The County Treasurer collects property tax on behalf of all taxing districts within the Village. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

**Income Tax**

The Village levies and collects an income tax of 1.0 percent on all income earned within the Village as well as on income of residents earned outside the Village. In 2014, Council approved an ordinance which repealed the credit for tax paid to another municipality in the Tax Code. This was in effect for the 2014 tax year and thereafter, with primary collections occurring in 2015. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village either monthly or quarterly as required. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. In 2014, the net proceeds were allocated 75 percent to the general fund, 10 percent to the street, construction, repair and maintenance and 10 percent to the park and recreation special revenue funds and 5 percent to the capital improvement capital projects fund.



**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**Note 7 - Contingencies**

*Grants*

The Village receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Village at December 31, 2014.

*Litigation*

The Village of Newton Falls is a party to legal proceedings. The Village management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

**Note 8 - Risk Management**

The Village of Newton Falls is exposed to various risks of loss to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disaster. During 2014, the Village contracted with Ohio Plan Insurance for various types of insurance coverage as follows:

<u>Type</u>	<u>Coverage</u>	<u>Deductible</u>
Inland Marine	\$1,050,921	\$1,000
Property	40,004,195	1,000
Electronic Data Processing	101,500	500
Fleet Vehicle		
Physical Damage	50,000	1,000
Liability	5,000,000	N/A

On May 1, 2013, the Village switched its employee health benefit plan to an insured plan through Anthem Blue Cross Blue Shield. A portion of the Village's plan design is still self-insured, in that it provides benefits beyond those provided by Anthem. The maximum exposure for the self-insured portion of claims is \$10,000 per employee per year. These claims are administered by the Ohio Public Entity Consortium.

Workers' compensation is provided by the State. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**Note 9 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2014, members in state and local classifications contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

The Village's 2014 contribution rate was 14 percent. The portion of the Village's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the Village's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The Village's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013 and 2012 was \$235,211, \$283,296 and \$225,336, respectively. For 2014, 92.22 percent has been contributed. The full amount has been contributed for 2013 and 2012. There were no contributions to the member-directed plan for 2014.

***Ohio Police Pension Fund***

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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Funding Policy - Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2014, through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014, through December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers.

The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2014, the portion of the Village's contribution used to fund pension benefits was 19 percent of covered payroll for police officers. The Village's contribution to OPF for police for the years ended December 31, 2014, 2013 and 2012 were \$45,436, \$49,428 and \$44,328, respectively. For 2014, 92.88 percent has been contributed. The full amount has been contributed for 2013 and 2012.

In addition to current contributions, the Village pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2014, the unfunded liability of the Village was \$14,116 payable in semi-annual payments through the year of 2035. This is an accounting liability of the Village which will not vary.

## **Note 10 – Postemployment Benefits**

### ***Ohio Public Employees Retirement System***

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent for both plans as recommended by the OPERS actuary.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The Village's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2014, 2013 and 2012 was \$39,202, \$21,792 and \$90,135, respectively. For 2014, 92.22 percent has been contributed. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

#### ***Ohio Police Pension Fund***

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

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at [www.opf.org](http://www.opf.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent of covered payroll for police employers. Active members do not make contributions to the OPEB Plan.

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2014

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B premium reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's contribution to OPF which was allocated to fund postemployment health care benefits for police for the years ended December 31, 2014, 2013 and 2012 were \$1,196, \$11,255 and \$23,468, respectively. For 2014, 92.88 percent has been contributed. The full amount has been contributed for 2013 and 2012.

**Note 11 - Long-Term Obligations**

Original issue amounts and interest rates of the Village's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
<b><i>Governmental-Type Debt:</i></b>			
Ohio Police Pension	4.25%	N/A	2035
<b><i>Business-Type Debt</i></b>			
Mortgage Revenue Bonds Series A	4.38	\$4,960,000	2048
Mortgage Revenue Bonds Series B	4.38	2,205,000	2048
<b><i>OWDA Loans</i></b>			
Warren Avenue Combined Sewer Separation	1.00	92,085	2030
Water Treatment Plant Improvements	2.00	3,102,133	2024
<b><i>OPWC Loans</i></b>			
Broad Street Water Distribution	0.00	253,463	2025
Broad Street Storm Water	0.00	186,493	2025
Water Main Valve Replacement	0.00	43,187	2025
Elevated Water Storage Tank Rehabilitation	0.00	448,307	2034
Electric System Bond Anticipation Note	1.10	2,295,000	2015

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2014

The changes in long-term obligations during the year were as follows:

	Balance 12/31/13	Additions	Reductions	Balance 12/31/14	Amounts Due in One Year
<b>Governmental Activities</b>					
Capital Lease	\$57,500	\$0	(\$13,788)	\$43,712	\$14,172
Ohio Police Pension	14,542	0	(426)	14,116	431
<i>Total Governmental Activities</i>	<u>\$72,042</u>	<u>\$0</u>	<u>(\$14,214)</u>	<u>\$57,828</u>	<u>\$14,603</u>
<b>Business-Type Activities</b>					
<i>Mortgage Revenue Bonds</i>					
Series A	\$4,699,400	\$0	(\$59,100)	\$4,640,300	\$61,800
Series B	2,089,200	0	(26,300)	2,062,900	27,500
<i>Total Mortgage Revenue Bonds</i>	<u>6,788,600</u>	<u>0</u>	<u>(85,400)</u>	<u>6,703,200</u>	<u>89,300</u>
<i>OWDA Loans</i>					
Warren Avenue Combined Sewer Separation	40,875	0	(557)	40,318	2,417
Water Treatment Plant Improvements	1,704,895	0	(155,631)	1,549,264	158,759
<i>Total OWDA Loans</i>	<u>1,745,770</u>	<u>0</u>	<u>(156,188)</u>	<u>1,589,582</u>	<u>161,176</u>
<i>OPWC Loans</i>					
Broad Street Water Distribution	139,404	0	(12,673)	126,731	12,673
Broad Street Storm Water	102,571	0	(9,325)	93,246	9,324
Water Main Valve Replacement	24,833	0	(2,159)	22,674	2,159
Elevated Water Storage Tank Rehabilitaton	7,188	441,119	(11,208)	437,099	22,415
<i>Total OPWC Loans</i>	<u>273,996</u>	<u>441,119</u>	<u>(35,365)</u>	<u>679,750</u>	<u>46,571</u>
<i>Bond Anticipation Notes</i>					
Electric System	2,495,000	2,295,000	(2,495,000)	2,295,000	2,295,000
<b><i>Total Business-Type Activities</i></b>	<u>\$11,303,366</u>	<u>\$2,736,119</u>	<u>(\$2,771,953)</u>	<u>\$11,267,532</u>	<u>\$2,592,047</u>

The Ohio police pension liability will be paid from the police pension special projects. The mortgage revenue bonds will be paid with user charges from the sewer enterprise fund. The OWDA and OPWC loans will be paid with user charges from the water and sewer enterprise funds. The Village has pledged investment securities as collateral for the promissory note.

During 2013, the Village entered into a four year capital lease with U.S. Bank Equipment Finance for a street sweeper for the principal amount of \$57,500. The lease will be paid from the bond retirement debt service fund.

During 2013, the Village of Newton Falls issued a bond anticipation note for \$2,495,000 payable at a rate of 1.25 percent, for various improvements to the Broad Street Lighting, festival power, South Circuit voltavare conversion and upgrade, Warren Road substation addition, Church Street substation addition, and Peak Shaving Generator back-up. This issuance was repaid on June 26, 2014.

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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During 2014, the Village of Newton Falls issued a bond anticipation note for \$2,295,000 payable at a rate of 1.10 percent, for various improvements to the Broad Street Lighting, festival power, South Circuit voltavare conversion and upgrade, Warren Road substation addition, Church Street substation addition, and Peak Shaving Generator back-up. This issuance matures on June 25, 2015.

The Village has entered into a contractual agreement in the amount of \$448,307 for the elevated water storage tank rehabilitation loan from the Ohio Public Works Commission (OPWC). Under the terms of this agreement, OPWC will reimburse, advance or directly pay the construction costs of the approved projects. OPWC will capitalize administrative costs and construction interest and then add them to the total amounts of the final loan.

Mortgage Revenue bonds of the Village of Newton Falls are obligations of the Village secured by a mortgage upon all assets of the sewer system. These bonds are payable solely from gross revenues of the sewer system after provisions for operating and maintenance expenses. These bond indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for services to customers in sufficient amounts to satisfy the annual obligation under the indenture agreement. In addition, special provisions exist regarding covenant violations, redemptions of principal, payment of interest, establishing renewal and replacement accounts and maintenance of properties.

As of December 31, 2014 the Sewer Revenue Bonds have a redemption price of 1.01 percent. The restrictions that were placed upon these bonds by the indenture as of December 31, 2012, restricted the Village's Sewer fund assets in the amount of \$258,449 for operation and maintenance.

The Village has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans in the sewer enterprise fund. The debt is payable solely from net revenues and are payable through 2030. Annual principal payments on the debt issues are expected to require 2.06 percent of net revenues. The total principal remaining to be paid on the debt is \$133,564. Principal paid for the current year and total net revenues were \$9,882 and \$433,232 respectively.

The Village has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans in the water enterprise fund. The debt is payable solely from net revenues and are payable through 2034. Annual principal payments on the debt issues are expected to exceed net revenues. The total principal remaining to be paid on the debt is \$2,135,768. Principal paid for the current year and total net revenues were \$181,671 and (\$391) respectively.

The Village's overall legal debt margin was \$6,300,201 with an unvoted debt margin of \$3,300,105 at December 31, 2014. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2014 are as follows:

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2014

**Governmental-Type  
Activities**

Ohio Police Pension Liability		
	Principal	Interest
2015	\$431	\$609
2016	450	590
2017	471	569
2018	493	547
2019	516	524
2020 - 2024	2,965	2,235
2025 - 2029	3,659	1,541
2030 - 2034	4,310	890
2035	821	114
Total	\$14,116	\$7,619

**Business-Type Activities**

	OWDA Loans		OPWC Loans		Mortgage Revenue Bonds	
	Principal	Interest	Principal	Principal	Interest	
	2015	\$161,176	\$30,593	\$46,571	\$89,300	\$293,265
2016	164,391	27,377	46,571	93,000	289,358	
2017	167,672	24,098	46,572	97,200	285,289	
2018	171,017	20,753	46,571	101,400	281,037	
2019	174,429	17,340	46,571	105,800	276,601	
2020 - 2024	735,870	34,018	232,865	602,900	1,309,359	
2025 - 2029	13,627	448	113,160	746,900	1,165,421	
2030 - 2034	1,400	7	100,869	925,100	987,118	
2035 - 2039	0	0	0	1,146,000	766,238	
2040 - 2044	0	0	0	1,419,500	492,647	
2045 - 2048	0	0	0	1,376,100	153,733	
Total	\$1,589,582	\$154,634	\$679,750	\$6,703,200	\$6,300,066	

**Note 12 – Joint Ventures**

***Ohio Municipal Electric Generation Agency Joint Venture (JV1)***

The Village's Electrical Enterprise Fund participates in a joint venture agreement with 20 other municipal electric systems who have formed the Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV1) for the purpose of providing electric power and energy to its participants on a cooperative basis. The electric generating facilities of OMEGA JV1, known as the Engle Units, are located in the City of Cuyahoga Falls. Title to these six diesel-powered generating units was transferred to the twenty-one municipal electric systems from American Municipal Power, Incorporated (AMP, Inc.), a non-profit trade association and wholesale power supplier for most of Ohio's eighty-five municipal electrical systems. Omega JV1 is managed by AMP, Inc. who acts as the joint venture's agent. Each member has a contract which provides for AMP, Inc. to purchase the right to each participant's share of power and energy that is made available through the joint venture contract. JV1 does not have any debt outstanding. In the event of a shortfall, the JV



**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

participants would be billed for the respective shares of the estimated shortfall. The Village's net investment in JV1 was \$9,707 at December 31, 2014. Financial information for JV1 may be obtained from AMP, Inc., 2600 Airport Drive, Columbus, Ohio 43219.

**Note 13 – Interfund Transfers**

During 2014, the general fund transferred \$33,033 and \$11,761 to the street construction, maintenance and repair fund and the senior van special revenue funds; respectively, to provide additional operating costs per the budget. The indigent drivers alcohol treatment fund transferred \$7,500 in grant monies to the general fund to help cover additional costs that were recorded in the general fund.

**Note 14 – Lease**

The Village has entered into a lease for a street sweeper.

The following is a schedule of the future minimum leases payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2014.

	Amounts
2015	\$15,389
2016	15,390
2017	15,390
Total Minimum Lease Payments	46,169
Less: Amount representing interest	(2,457)
Present Value of Minimum Lease Payments	\$43,712

**Note 15 – American Municipal Power Generating Station Project**

The Village of Newton Falls is a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The Village executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project.

***History of the AMPGS Project***

In November 2009, the participants of the AMP Generating Station Project (the "AMPGS Project") voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a \$3 billion project, but the project's estimated capital costs increased by 37 percent and the engineer, procure and construct ("EPC") contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site.

At the same time, the participants voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key fixed-price contract that would be open to interested AMP members. The NGCC Plant was planned to be developed on the Meigs County site

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

previously planned for the AMPGS project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center (“AFEC”) at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2012, the type of generating asset has not been determined.

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village’s share was 7,130 kilowatts of a total 771,281 kilowatts, giving the Village a 0.92 percent share. The AMPGS Project required participants to sign “take or pay” contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP’s pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village’s estimated share at March 31, 2014, of the impaired costs is \$1,239,847. The Village received a credit of \$223,521 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$322,453 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$693,873. AMP financed these costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village’s payments. The Village will begin making payments in 2015. During 2014 the Village made no payments to AMP toward its net impaired cost estimate. The net impaired cost estimate at December 31, 2014 was \$702,299.

The Village intends to recover these costs and repay AMP over the next 15 years through a power cost adjustment.

**Note 16 – Significant Commitments**

***Encumbrances***

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

<b>Governmental Funds</b>		<b>Proprietary Funds</b>	
General fund	\$28,666	Water fund	\$94,653
Court Computerization	187	Sewer fund	50,529
Other Governmental funds	44,289	Electric fund	146,130
<b>Total Governmental Funds</b>	<b>\$73,142</b>	<b>Total Proprietary Funds</b>	<b>\$291,312</b>

**Note 17 – Subsequent Events**

On June 25, 2015, the Village of Newton Falls retired the \$2,295,000 electric bond anticipation note and reissued the note for \$2,045,000 payable at a rate of 1.10 percent.



# 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 Newton Falls  
Trumbull County  
19 N. Canal Street  
Newton Falls, Ohio 44444

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newton Falls, Trumbull County, (the Village) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements and have issued our report thereon dated May 2, 2016.

### ***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Entity's financial statements. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-002 and 2014-003 described in the accompanying schedule of findings to be significant deficiencies.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-002.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 2, 2016

VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY

SCHEDULE OF FINDINGS  
December 31, 2014

1. **Budgetary Statements**

<i>Finding Number</i>	2014-001
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MATERIAL WEAKNESS

Ohio Administrative Code Chapter 117-2-01(A)(B)(1) provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives for reliability of financial reporting.

The control procedures over the review of the budgetary financial statements failed to recognize original budgeted disbursements amounts for the Court Computerization Fund did not include the prior year encumbrance amount of \$21,554. The financial statements have been adjusted accordingly.

Budgetary financial statements should be prepared using approved budgeted receipts, appropriations, and encumbrances as well as budgetary data from the accounting system.

**Official's Response:** The financial statements of the Village are prepared by a third party agency. The error occurred during statement preparation by the third party. All future statements will be reviewed and monitored for accuracy by Village officials prior to their submission to the auditors, as the statements are the responsibility of Village.

2. **Electric Kilowatt Hour Tax**

<i>Finding Number</i>	2014-002
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NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Ohio Rev. Code §5727.81(A) requires that municipal (Government) electric systems must assess a monthly kilowatt-hour (kWh) tax on end users. This tax is assessed at a variable rate that decreases as kilowatt-hour usage increases on the meters of end users (the last meter used to measure the kWh distributed). Ohio Rev. Code §5727.82(A)(3) permits municipal electric communities to retain in their general fund the taxes collected from customers served inside their city or village limits (including taxes self-assessing customers pay, per §5727.81(C)(2)).

AOS Bulletin 2001-011 clarifies the requirements: If the electric distribution company required to pay the tax imposed by section 5727.81 of the Ohio Revised Code is a municipal electric utility, it may retain in its General Fund that portion of the tax on the kilowatt hours distributed to end users located within the boundaries of the municipal corporation (including self-assessing customers). However, the amount of the tax associated with inside customers must be allocated to the community's general fund and the community may retain the money in the General Fund. If a Municipal Electric System fails to allocate the kWh tax to the General Fund, the Auditor of State will issue a Finding for Adjustment against the Electric Fund and in favor of the General Fund. A cash basis village should initially record the KWH tax in the Electric Fund as Other Local Tax Revenue. The Electric account should then be reduced for the amount allocated for the General Fund and the corresponding amount credited to the General Fund Other Local Tax Revenue account. The amount allocated to the State should be paid out of the Electric fund accordingly.

**Noncompliant Findings (Continued)**

The Village did not properly account for the general fund tax allocation. The Village recorded Electric Fund Miscellaneous Operating Disbursements and corresponding General Fund Miscellaneous Receipts in the amount of \$159,546. The following re-classification is needed to correct the financial statements accordingly: a \$159,546 decrease to Electric Fund Miscellaneous Operating Disbursements and a corresponding decrease to Electric Fund Charges for Services revenue; a \$159,546 increase to General Fund Property and Other Local Tax revenue and corresponding decrease to General Fund Miscellaneous Receipts. These amounts have been reclassified in the financial statements.

The Village should follow AOS Bulletin 2001-011 when recording the kilowatt hour tax. The KWH tax revenue should initially be recorded in the Electric Fund Other Local Tax Revenue account. The Electric account should then be reduced for the amount allocated for the General Fund and the corresponding amount credited to the General Fund Other Local Tax Revenue account. The amount allocated to the State should be paid out of the Electric fund accordingly.

**Official's Response:** The classification of the kilowatt-hour (kWh) tax transaction has been updated in the 2014 Financial Statements according to the AOS Bulletin 2001-011. These transactions will be classified in all future statements according to the same standard.

**3. Revenue Classification**

<i>Finding Number</i>	2014-003
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SIGNIFICANT DEFICIENCY

Ohio Administrative Code Chapter 117-2-01(A)(B)(1) provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives for reliability of financial reporting.

The control procedures over the review of Property Tax, Income Tax, and Intergovernmental receipt transactions failed to recognize the following errors related to posting classification on the trial balances and accounting system:

- The Village reported \$135,297 as property tax revenue in the General Fund; however, the amount should have been reported as municipal income tax revenue in the General Fund. The financial statements have been reclassified accordingly.
- The Village misposted \$15,687 received from the Trumbull County Auditor (for property tax revenue) as intergovernmental revenue in the Special Levy Police Fund in the accounting system. This was corrected during the preparation of the financial statements. However, the corresponding correcting entry also improperly moved \$2,426 received for State Homestead and Rollback from intergovernmental revenue to property tax revenue. This amount was not corrected on the financial statements.

The Village should improve its control procedures to help ensure all amounts are properly recorded in the trial balances and related financial statements.

**Official's Response:** The financial statements of the Village are prepared by a third party agency. The error occurred during statement preparation by the third party. All future statements will be reviewed and monitored for accuracy by Village officials prior to their submission to the auditors, as the statements are the responsibility of Village.



# Dave Yost • Auditor of State

VILLAGE OF NEWTON FALLS

TRUMBULL COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JUNE 7, 2016