



Dave Yost • Auditor of State

VILLAGE OF NEW MIDDLETOWN
MAHONING COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of New Middletown
Mahoning County
10711 Main Street
New Middletown, Ohio 44442

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of New Middletown, Mahoning County, Ohio (the Village), as of and for the year ended December 31, 2012, 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 Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no 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, each major fund, and the aggregate remaining fund information of the Village of New Middletown, Mahoning County, Ohio, as of December 31, 2012, and the respective changes in cash financial position and the respective budgetary comparison for the General, Street Construction, Maintenance and Repair, Middletown Road, Fire Levy and Police

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Levy 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, 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.

Management's Discussion & Analysis includes tables of net position, changes in net position and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014, 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

November 3, 2014

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

This discussion and analysis of the Village of New Middletown's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2012, 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 2012 are as follows:

Net position of governmental activities decreased \$13,997, the overall decrease was due to less grant monies, a final fire truck payment, and new fire personnel needing training and equipment purchases. The fund most affected by the decrease in cash and cash equivalents were the General and Fire Funds. The General Fund and Fire Levy Fund had decreases of \$62,476 and \$26,939, respectively.

The Village's General Fund receipts are primarily: Property taxes (\$57,596), Intergovernmental (\$25,025), Fines, Licenses and Permits (\$41,031), and Miscellaneous of (\$66,520).

The General Fund spent \$50,000 to defray the costs of operating the police department.

The Middletown water line was completed. The village share of the \$145,000 was \$ 25,000.

The handicap swings were installed in the park.

The Village received several small grants for the Police Department.

The park was used for the Relay for Life outing and will be used in 2013.

The Village continued to work on drainage projects and ditch repairs.

The Village removed and replaced several areas of blacktop.

The Village renovated the Mayors and reception offices.

The Fire Department added several new members.

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

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

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.

Reporting the Village as a Whole

The statement of net position and the statement of activities reflect how the Village did financially during 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the 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 nonfinancial 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.

The Village reports its governmental activities in the statement of net position and statement of activities.

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

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Reporting the Village's Most Significant Funds

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

Governmental Funds - All 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, SCMR, Middletown Road, Fire Levy and Police Levy. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. The fiduciary fund is not reflected on the government-wide statements because the resources of this fund are not available to support the Village's programs.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2012 and 2011

(Table 1)
Net Position

	Governmental Activities	
	2012	2011
Assets		
Cash and Cash Equivalents	\$568,159	\$582,156
Total Assets	\$568,159	\$582,156
Net Position		
Restricted for:		
Other Purposes	\$322,228	\$273,842
Unrestricted	245,931	308,314
Total Net Position	\$568,159	\$582,156

As mentioned previously, net position of governmental activities decreased \$13,997 during 2012. The primary reason contributing to the decrease was less grant monies, a final fire truck payment and new fire personnel needing training and equipment purchases.

Table 2 compares the changes in net position between 2012 and 2011

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

(Table 2)
Changes in Net Position

	Governmental Activities 2012	Governmental Activities 2011	Variances
Receipts:			
Program Receipts:			
Charges for Services and Other Sources	\$78,287	\$89,598	(\$11,311)
Operating Grants and Contributions	169,460	76,109	93,351
Total Program Receipts	<u>247,747</u>	<u>165,707</u>	<u>82,040</u>
General Receipts:			
Property and Other Local Taxes	366,781	321,629	45,152
Intergovernmental	219,617	197,787	21,830
Other Taxes	14,142	14,773	(631)
Interest and Investments Earnings	148	132	16
Miscellaneous	88,688	159,061	(70,373)
Total General Receipts	<u>689,376</u>	<u>693,382</u>	<u>(4,006)</u>
Total Receipts	<u>937,123</u>	<u>859,089</u>	<u>78,034</u>
Disbursements:			
General Government	195,142	132,718	62,424
Security of Persons and Property:	476,881	414,747	62,134
Public Health Services	9,002	6,747	2,255
Leisure Time Activities	2,331	2,592	(261)
Community Environment	5,503	4,200	1,303
Basic Utilities	2,232	2,566	(334)
Transportation	58,848	69,907	(11,059)
Capital Outlay	70,118	66,810	3,308
Other	131,063		131,063
Total Disbursements	<u>951,120</u>	<u>700,287</u>	<u>250,833</u>
Excess (Deficiency) Before Transfers	<u>(13,997)</u>	158,802	<u>(172,799)</u>
Increase (Decrease) in Net Position	<u>(13,997)</u>	158,802	<u>(172,799)</u>
Net Position, January 1	<u>582,156</u>	423,354	<u>158,802</u>
Net Position, December 31	<u>\$568,159</u>	<u>\$582,156</u>	<u>(\$13,997)</u>

Program receipts represent only 26 percent of total receipts and are comprised of charges for services and operating grants and contributions.

General receipts represent 74 percent of the Village's total receipts, and of this amount, over 87 percent are Property Taxes, Intergovernmental and Other Local Taxes. Interest Income and Miscellaneous make up the other 13 percent.

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, and the mayor, and fiscal officer, as well as internal services such as payroll and purchasing.

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, and general government which accounts for 50 and 21 percent of all governmental disbursements, respectively. Capital outlay also represents a significant cost, about 7 percent. The next column "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost Of Services 2012	Net Cost of Services 2012	Total Cost Of Services 2011	Net Cost of Services 2011
General Government	\$195,142	\$128,462	\$132,718	\$54,453
Security of Persons and Property	476,881	476,881	414,747	414,747
Public Health Services	9,002	9,002	6,747	6,747
Leisure Time Activities	2,331	2,331	2,592	2,592
Community Environment	5,503	3,514	4,200	2,255
Basic Utilities	2,232	2,232	2,566	2,566
Transportation	58,848	(120,230)	69,907	(15,590)
Capital Outlay	70,118	70,118	66,810	66,810
Other	131,063	131,063		
Total Expenses	\$951,120	\$703,373	\$700,287	\$534,580

The Village's Funds

Total governmental funds had receipts of \$987,123 and disbursements of \$1,001,120. The fund balance of the General Fund decreased \$62,476 as the result of less grants and paying off the fire truck note. The fund balance of the Street Construction Maintenance and Repair Fund increased \$69,942 due to less paving projects.

The Police and Fire Funds both had fund balance decreases in the amounts \$2,641 and \$26,939, respectively. It was the recommendation of the finance committee and the administration that we continue to reduce disbursements by all departments as increased expenditures will be needed for road upgrades and equipment.

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

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.

Actual receipts exceeded the budgeted receipts by \$38,345. Final disbursements were budgeted at \$370,089, while actual disbursements were \$253,402. Even with the slight increase in actual receipts, appropriations were not increased.

Capital Assets and Debt Administration

Capital Assets

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

Debt

On December 31, 2012, the Village's outstanding debt was \$116,962. Of this amount \$19,462 was for a street truck note and \$97,500 for a State loan for Stacy Drive.

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 funds. We rely heavily on local taxes and have very little industry to support the tax base. Our General fund has no voted mileage to work with; therefore, we review our sources of revenue and determine what losses are likely. We then review the disbursement history of the Village. We will hold planned park repairs and maintenance and all departments have been instructed to reduce their spending as much as possible.

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 Carl Flitcraft, Fiscal Officer, Village of New Middletown, Ohio, P.O. Box 463, New Middletown, Ohio, 44442-0463 or call 330-542-2846.

Village of New Middletown
Mahoning County
Statement of Net Position - Cash Basis
December 31, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$568,159</u>
<i>Total Assets</i>	<u><u>\$568,159</u></u>
Net Assets	
Restricted for:	
Other Purposes	\$322,321
Unrestricted	<u>245,838</u>
<i>Total Net Position</i>	<u><u>\$568,159</u></u>

See accompanying notes to the basic financial statements

Village of New Middletown
Mahoning County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2012

	Program Cash Receipts		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Security of Persons and Property	\$476,881		
Public Health Services	9,002		
Leisure Time Activities	2,331		
Community Environment	5,503	\$1,989	
Basic Utility Services	2,232		
Transportation	58,848	9,618	\$169,460
General Government	195,142	66,680	
Capital Outlay	70,118		
Other	131,063		
<i>Total Governmental Activities</i>	<u>\$951,120</u>	<u>\$78,287</u>	<u>\$169,460</u>

General Receipts

Property Taxes Levied for:
 General Purposes
Other Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
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 Assets

<u>Governmental</u> <u>Activities</u>	<u>Total</u>
(\$476,881)	(\$476,881)
(9,002)	(9,002)
(2,331)	(2,331)
(3,514)	(3,514)
(2,232)	(2,232)
120,230	120,230
(128,462)	(128,462)
(70,118)	(70,118)
<u>(131,063)</u>	<u>(131,063)</u>
<u>(703,373)</u>	<u>(703,373)</u>
366,781	366,781
14,142	14,142
219,617	219,617
148	148
<u>88,688</u>	<u>88,688</u>
<u>689,376</u>	<u>689,376</u>
(13,997)	(13,997)
<u>582,156</u>	<u>582,156</u>
<u>\$568,159</u>	<u>\$568,159</u>

Village of New Middletown
Mahoning County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2012

	General	Street Construction Maintain & Repair	Middletown Road	Fire Levy Fund	Police Levy Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$245,838	\$141,574	\$0	\$40,143	\$35,864	\$104,740	\$568,159
<i>Total Assets</i>	<u>\$245,838</u>	<u>\$141,574</u>	<u>\$0</u>	<u>\$40,143</u>	<u>\$35,864</u>	<u>\$104,740</u>	<u>\$568,159</u>
Fund Balances							
Reserved:							
Traffic Safety						\$8,344	\$8,344
Road Maintenance and Improvements		\$141,574				83,775	225,349
Fire Operations				\$40,143		4	40,147
Police Operations					\$35,864	6,044	41,908
Drug and Alcohol Education						6,573	6,573
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	\$245,838						245,838
<i>Total Fund Balances</i>	<u>\$245,838</u>	<u>\$141,574</u>	<u>\$0</u>	<u>\$40,143</u>	<u>\$35,864</u>	<u>\$104,740</u>	<u>\$568,159</u>

See accompanying notes to the basic financial statements

Village of New Middletown
Mahoning County
Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Street Construction Maintain & Repair	Middletown Road	Fire Levy Fund	Police Levy Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$57,596			\$49,488	\$197,714		\$304,798
Charges for Services					27,637		27,637
Fines, Licenses, and Permits	41,031						41,031
Intergovernmental	25,025	\$148,226	\$131,063	9,933	68,390	\$85,901	468,538
Special Assessments						10,463	10,463
Interest	54	38		31		25	148
Miscellaneous	66,520			21	6,949		73,490
<i>Total Receipts</i>	<u>190,226</u>	<u>148,264</u>	<u>131,063</u>	<u>59,473</u>	<u>300,690</u>	<u>96,389</u>	<u>926,105</u>
Disbursements							
Current:							
Security of Person and Property	1,505			46,883	347,028	81,465	476,881
Public Health Services	9,002						9,002
Leisure Time Activities	2,331						2,331
Community Environment	5,503						5,503
Basic Utility Services		2,232					2,232
Transportation		57,551				1,297	58,848
General Government	185,061	1,436		1,873	6,303	469	195,142
Capital Outlay		17,103		42,906		10,109	70,118
<i>Total Disbursements</i>	<u>203,402</u>	<u>78,322</u>	<u>0</u>	<u>91,662</u>	<u>353,331</u>	<u>93,340</u>	<u>820,057</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(13,176)</u>	<u>69,942</u>	<u>131,063</u>	<u>(32,189)</u>	<u>(52,641)</u>	<u>3,049</u>	<u>106,048</u>
Other Financing Sources (Uses)							
Transfers In					50,000		50,000
Transfers Out	(50,000)						(50,000)
Advances In	60,000				50,000	15,000	125,000
Advances Out	(65,000)				(50,000)	(10,000)	(125,000)
Other Financing Sources	5,700			5,250		68	11,018
Other Financing Uses	0		(131,063)				(131,063)
<i>Total Other Financing Sources (Uses)</i>	<u>(49,300)</u>	<u>0</u>	<u>(131,063)</u>	<u>5,250</u>	<u>50,000</u>	<u>5,068</u>	<u>(120,045)</u>
<i>Net Change in Fund Balances</i>	<u>(62,476)</u>	<u>69,942</u>	<u>0</u>	<u>(26,939)</u>	<u>(2,641)</u>	<u>8,117</u>	<u>(13,997)</u>
<i>Fund Balances Beginning of Year</i>	<u>308,314</u>	<u>71,632</u>	<u>0</u>	<u>67,082</u>	<u>38,505</u>	<u>96,623</u>	<u>582,156</u>
<i>Fund Balances End of Year</i>	<u>\$245,838</u>	<u>\$141,574</u>	<u>\$0</u>	<u>\$40,143</u>	<u>\$35,864</u>	<u>\$104,740</u>	<u>\$568,159</u>

See accompanying notes to the basic financial statements

Village of New Middletown
Mahoning County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$59,091	\$59,091	\$57,596	(\$1,495)
Fines, Licenses and Permits	33,550	33,550	41,031	7,481
Intergovernmental	21,884	21,884	25,025	3,141
Interest	200	200	54	(146)
Miscellaneous	42,856	42,856	66,520	23,664
<i>Total receipts</i>	<u>157,581</u>	<u>157,581</u>	<u>190,226</u>	<u>32,645</u>
Disbursements				
Current:				
Security of Person and Property	10,000	10,000	1,505	8,495
Public Health Services	10,000	10,000	9,002	998
Leisure Time Activities	15,000	15,000	2,331	12,669
Community Environment	5,000	5,000	5,503	(503)
Basic Utility Services	42,000	42,000	0	42,000
General Government	223,089	223,089	185,061	38,028
<i>Total Disbursements</i>	<u>305,089</u>	<u>305,089</u>	<u>203,402</u>	<u>101,687</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(147,508)</u>	<u>(147,508)</u>	<u>(13,176)</u>	<u>134,332</u>
Other Financing Sources (Uses)				
Transfers Out	(65,000)	(65,000)	(50,000)	15,000
Advances In	75,000	75,000	60,000	(15,000)
Advances Out	(40,000)	(40,000)	(65,000)	(25,000)
Other Financing Sources	0	0	5,700	5,700
<i>Total Other Financing Sources (Uses)</i>	<u>(30,000)</u>	<u>(30,000)</u>	<u>(49,300)</u>	<u>(19,300)</u>
<i>Net Change in Fund Balance</i>	<u>(177,508)</u>	<u>(177,508)</u>	<u>(62,476)</u>	<u>115,032</u>
<i>Fund Balance Beginning of Year</i>	<u>308,314</u>	<u>308,314</u>	<u>308,314</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$130,806</u>	<u>\$130,806</u>	<u>\$245,838</u>	<u>\$115,032</u>

See accompanying notes to the basic financial statements

Village of New Middletown
Mahoning County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Street Construction Maintenance, and Repair Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$75,000	\$75,000	\$148,226	\$73,226
Interest	0	0	38	38
<i>Total receipts</i>	<u>75,000</u>	<u>75,000</u>	<u>148,264</u>	<u>73,264</u>
Disbursements				
Current:				
Basic Utility Services	4,500	4,500	2,232	2,268
Transportation	98,655	99,155	57,551	41,604
General Government	6,000	6,000	1,436	4,564
Capital Outlay	35,000	35,000	17,103	17,897
<i>Total Disbursements</i>	<u>144,155</u>	<u>144,655</u>	<u>78,322</u>	<u>66,333</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(69,155)</u>	<u>(69,655)</u>	<u>69,942</u>	<u>139,597</u>
<i>Net Change in Fund Balance</i>	(69,155)	(69,655)	69,942	139,597
<i>Fund Balance Beginning of Year</i>	<u>71,632</u>	<u>71,632</u>	<u>71,632</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,477</u>	<u>\$1,977</u>	<u>\$141,574</u>	<u>\$139,597</u>

See accompanying notes to the basic financial statements

Village of New Middletown
Mahoning County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Middletown Road Fund
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$0	\$149,288	\$131,063	(\$18,225)
<i>Total receipts</i>	<u>0</u>	<u>149,288</u>	<u>131,063</u>	<u>(18,225)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>0</u>	<u>149,288</u>	<u>131,063</u>	<u>(18,225)</u>
Other Financing Sources (Uses)				
Other Financing Uses	0	(149,288)	(131,063)	18,225
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(149,288)</u>	<u>(131,063)</u>	<u>18,225</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

Village of New Middletown
Mahoning County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire Levy Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$43,277	\$43,277	\$49,488	\$6,211
Intergovernmental	6,768	6,768	9,933	3,165
Interest	50	50	31	(19)
Miscellaneous	1,334	1,334	21	(1,313)
<i>Total receipts</i>	<u>51,429</u>	<u>51,429</u>	<u>59,473</u>	<u>8,044</u>
Disbursements				
Current:				
Security of Person and Property	64,000	64,000	46,883	17,117
General Government	4,500	4,500	1,873	2,627
Capital Outlay	42,500	42,500	42,906	(406)
<i>Total Disbursements</i>	<u>111,000</u>	<u>111,000</u>	<u>91,662</u>	<u>19,338</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(59,571)</u>	<u>(59,571)</u>	<u>(32,189)</u>	<u>27,382</u>
Other Financing Sources (Uses)				
Advances In	10,000	10,000		(10,000)
Advances Out	(15,000)	(15,000)		15,000
Other Financing Sources	5,000	5,000	5,250	250
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>5,250</u>	<u>5,250</u>
<i>Net Change in Fund Balance</i>	<u>(59,571)</u>	<u>(59,571)</u>	<u>(26,939)</u>	<u>32,632</u>
<i>Fund Balance Beginning of Year</i>	<u>67,082</u>	<u>67,082</u>	<u>67,082</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$7,511</u></u>	<u><u>\$7,511</u></u>	<u><u>\$40,143</u></u>	<u><u>\$32,632</u></u>

See accompanying notes to the basic financial statements

Village of New Middletown
Mahoning County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Police Levy Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$193,933	\$203,930	\$197,714	(\$6,216)
Charges for Services	34,000	36,500	27,637	(8,863)
Intergovernmental	33,114	42,202	68,390	26,188
Miscellaneous	9,675	11,124	6,949	(4,175)
<i>Total receipts</i>	<u>270,722</u>	<u>293,756</u>	<u>300,690</u>	<u>6,934</u>
Disbursements				
Current:				
Security of Person and Property	263,675	266,675	347,028	(80,353)
General Government	56,935	57,935	6,303	51,632
<i>Total Disbursements</i>	<u>320,610</u>	<u>324,610</u>	<u>353,331</u>	<u>(28,721)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(49,888)</u>	<u>(30,854)</u>	<u>(52,641)</u>	<u>(21,787)</u>
Other Financing Sources (Uses)				
Transfers In	25,000	50,000	50,000	0
Advances In			50,000	50,000
Advances Out	(50,000)	(50,000)	(50,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(25,000)</u>	<u>0</u>	<u>50,000</u>	<u>50,000</u>
<i>Net Change in Fund Balance</i>	<u>(74,888)</u>	<u>(30,854)</u>	<u>(2,641)</u>	<u>28,213</u>
<i>Fund Balance Beginning of Year</i>	<u>38,505</u>	<u>38,505</u>	<u>38,505</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$36,383)</u>	<u>\$7,651</u>	<u>\$35,864</u>	<u>\$28,213</u>

See accompanying notes to the basic financial statements

Village of New Middletown
Mahoning County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
December 31, 2012

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,500</u>
<i>Total Assets</i>	<u><u>\$2,500</u></u>
Net Assets	
Restricted	<u><u>\$2,500</u></u>

See accompanying notes to the basic financial statements

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Village of New Middletown, Ohio
Mahoning County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 1 - Reporting Entity

The Village of New Middletown (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member council 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 New Middletown provides the following services to its citizens: police and volunteer fire protection, parks and recreation, and street maintenance and repairs. Council has direct responsibility for these services.

Public Entity Risk Pools

The Village participates in the Ohio Municipal Joint Self-Insurance Pool, a public entity risk pool. This organization is presented in Note 12 to the 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 Village's 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 primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net position presents the cash balance of the governmental 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. 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 of New Middletown, Ohio
Mahoning County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 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 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. Fiduciary funds are reported by type.

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

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

Middletown Road The Middletown Road fund accounts for and reports intergovernmental receipts to pay for the maintenance of Middletown Road.

Fire Levy The Fire Levy fund accounts for and reports property tax money to provide fire protection to Village residents.

Police Levy The Police Levy fund accounts for and reports property tax money to provide police protection to Village residents.

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

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 not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals,

Village of New Middletown, Ohio
Mahoning County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

other governments, or other organizations. The Village's agency fund accounts for the operations of the Mayor's Court, including the receipts and disbursements of fines and costs resulting from disposition of court cases.

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 this note.

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.

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 Village Council may appropriate. The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and object level for all funds.

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

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

Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments

Village of New Middletown, Ohio
Mahoning County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2012, the Village invested in repurchase agreements and STAR Ohio. Investments are reported at cost, except for STAR Ohio. 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 of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2012.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2012 was \$ 54. The total interest received by the Village was \$149.

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.

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.

Capital Assets

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

Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

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.

Village of New Middletown, Ohio
Mahoning County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 7 and 8, 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 long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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.

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 are 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. It also includes the long-term amount of interfund loans.

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue;

Village of New Middletown, Ohio
Mahoning County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

Interfund Transactions

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts.

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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Accounting Principle

For 2012, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Village’s 2012 financial statements; however, there was no effect on beginning net position/fund balance.

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 presented for the general fund, street construction, maintenance and repair fund, Middletown road fund, fire levy fund and police levy fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis)

Village of New Middletown, Ohio
Mahoning County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). There were no encumbrances outstanding at year end.

Note 5 – Deposits and Investments

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

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

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

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

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

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

Village of New Middletown, Ohio
Mahoning County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

7. The State Treasurer’s investment pool (STAR Ohio).

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$117,578 of the Village’s bank balance of \$367,578 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Village’s name.

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

Investments

As of December 31, 2012, the Village had the following investments:

	Fair Value	Maturity
STAR Ohio	\$208,219	Less than 6 months
Total Portfolio	\$208,219	

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-2	3-5	More than 5
STAR Ohio	\$208,219	\$208,219			
Total Investments	\$208,219	\$208,219	\$0	\$0	\$0

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village’s investment policy addresses interest rate risk by requiring the Village’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Village of New Middletown, Ohio
Mahoning County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Credit Risk STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village's investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form.

The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 6 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2012, was \$65.40 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2012 property tax receipts were based are as follows:

Real Property	\$23,628,090
Public Utility Personal Property	<u>370,870</u>
Total	<u><u>\$23,998,960</u></u>

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

Village of New Middletown, Ohio
Mahoning County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in the State and local divisions and 12.10 percent for law enforcement and public safety members. For the year ended December 31, 2012, members in the state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.50 percent and 12.10 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2012, member and employer contribution rates were consistent across all three plans.

The Village's 2012 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$19,817, \$21,210, and \$22,880, respectively; 100 percent has been contributed for 2012, 2011 and 2010. Contributions to the Member-Directed Plan for 2012 were \$15,233 made by the Village and \$4,584 made by plan members.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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

Village of New Middletown, Ohio
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The Village’s contributions to OP&F for police pension were \$32,533 for the year ended December 31, 2012, \$29,506 for the year ended December 31, 2011, and \$24,819 for the year ended December 31, 2010. For 2012, 100 percent has been contributed. The full amount has been contributed for 2011 and 2010.

Note 8 - Postemployment Benefits

Ohio Public Employees Retirement System

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Village of New Middletown, Ohio
Mahoning County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

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

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$13,394, \$12,372, and \$13,346, respectively; 100 percent has been contributed for 2012 and 100 percent for 2011 and 2010.

Ohio Police and Fire Pension Fund

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

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

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F 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 reimbursements administrated 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 OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated

Village of New Middletown, Ohio
Mahoning County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police were \$29,005 for the year ended December 31, 2012, \$27,186 for the year ended December 31, 2011, and \$29,506 for the year ended December 31, 2010. For 2012, 100 percent has been contributed. The full amount has been contributed for 2011 and 2010.

Note 9 - Debt

The Village's long-term debt activity for the year ended December 31, 2012 was as follows:

	Outstanding 12/31/11	Issued	Retired	Outstanding 12/31/12
Governmental Activities				
6.13% Fire Truck Note - 2003	\$40,939	\$0	\$40,939	\$0
0.00% OPWC Stacy Drive - 2007	105,000	0	7,500	97,500
5.40% Street Truck Note - 2009	28,437	0	8,975	19,462
<i>Total Governmental Activities</i>	<u>174,376</u>	<u>0</u>	<u>57,414</u>	<u>116,962</u>
Total	<u><u>\$174,376</u></u>	<u><u>\$0</u></u>	<u><u>\$57,414</u></u>	<u><u>\$116,962</u></u>

All long term obligations are supported by the full faith and credit of The Village of New Middletown and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The Ohio Public Works Loan has a 0% interest rate and matures on 2025 with an annual payment of \$7,500. The Street Truck Loan has a 5.4% interest rate and will mature in 2014.

Principal and interest requirements to retire the long term obligations outstanding at December 31, 2012, were as follows:

Village of New Middletown, Ohio
Mahoning County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Long Term Debt				
Year	OPWC Loan		Street Truck Loan	
	Principal	Interest	Principal	Interest
2013	\$7,500		\$9,476	\$936
2014	7,500		9,986	426
2015	7,500			
2016	7,500			
2017	7,500			
2018-2022	37,500			
2023-2027	22,500			
Total	\$97,500	\$0	\$19,462	\$1,362

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2012, were an overall debt margin of \$2,518,880 and an unvoted debt margin of \$1,313,413.

Note 10 – 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 Fund	Street Construction Maint & Repair	Middletown Road	Fire Levy	Police Levy	Other Governmental Funds	Total
Restricted for							
Road Improvements		\$141,574				\$83,775	\$225,349
Police Operations					\$35,864	6,044	41,908
Fire Operations				\$40,143		4	40,147
Traffic Safety						8,344	8,344
Drug and Alcohol Education						6,573	6,573
<i>Total Restricted</i>	\$0	141,574	\$0	40,143	35,864	104,740	322,321
Unassigned (deficits):	245,838						245,838
<i>Total Fund Balances</i>	\$245,838	\$141,574	\$0	\$40,143	\$35,864	\$104,740	\$568,159

Note 11 - Interfund Transfers

During 2012 the following transfers were made:

Village of New Middletown, Ohio
Mahoning County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

	<u>Transfers From</u>
<u>Transfers To</u>	General
Police Levy	\$50,000
Total	\$50,000

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The general fund transfers to the other governmental funds were made to provide additional resources for current operations.

Note 12 – Advances

Advances at December 31, 2012, consisted of the following individual fund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
	Advance to Other Funds	Advance from Other Funds
Major Funds		
General Fund	\$65,000	\$60,000
Other Governmental Funds		
Police Levy	50,000	50,000
Other Governmental	10,000	15,000
Total	\$125,000	\$125,000

Advances to/from other funds consisted of a general fund advance of \$50,000 to the police levy fund for operating expenditures and \$10,000 to other governmental funds for operating expenditures. Advances to/from other funds are not expected to be repaid within one year.

Note 13 – Public Entity Risk Pool

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool changed its fiscal year end to March 31, effective in 2011, in order to align its financial reporting and budgeting with the renewal terms of its excess reinsurance policies.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2013, retention levels are \$100,000 and \$175,000 for property and casualty coverages, respectively.

Village of New Middletown, Ohio
Mahoning County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$ 833,561	\$ 1,097,683
Liabilities	<u>(782,525)</u>	<u>(791,222)</u>
Accumulated Surplus	\$ <u>51,036</u>	\$ <u>306,461</u>

Note 14 – Miscellaneous Receipts

The miscellaneous receipt line item for the general fund on the financial statements represents several postings made by the Village. The largest single posting to this line item is from Aqua Ohio for the annual lease payment of \$45,000.



Dave Yost • Auditor of State

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

Village of New Middletown
Mahoning County
10711 Main Street
New Middletown, Ohio 44442

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, each major fund, and the aggregate remaining fund information of the Village of New Middletown, Mahoning County, (the Village) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 3, 2014, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

www.ohioauditor.gov

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 3, 2014



Dave Yost • Auditor of State

VILLAGE OF NEW MIDDLETOWN

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 16, 2014**