



Dave Yost • Auditor of State



**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY  
DECEMBER 31, 2016**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis .....	13
Statement of Activities – Cash Basis .....	14
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances Governmental Funds .....	16
Reconciliation of Cash Basis Assets and Fund Balances to Net Position of Governmental Activities .....	17
Statement of Cash Receipts, Disbursements And Changes In Cash Basis Fund Balance Governmental Funds .....	18
Reconciliation of the Statement of Cash Receipts, Disbursements And Changes in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities .....	19
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual (Budgetary Basis) General Fund .....	20
Court Special General Projects Fund .....	21
Statement of Fund Net Position – Cash Basis Proprietary Funds .....	22
Statement of Cash Reciepts, Disbursements and Changes in Fund Net Position – Cash Basis Proprietary Funds .....	24
Statement of Fiduciary Assets and Liabilities - Cash Basis Fiduciary Funds .....	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> .....	55
Schedule of Findings .....	57
Summary Schedule of Prior Audit Findings (Prepared by Management) .....	59

**This page intentionally left blank.**



# 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 Village of Newton Falls, Trumbull County, Ohio (the Village), as of and for the year ended December 31, 2016, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Newton Falls, Trumbull County, Ohio, as of December 31, 2016, and the respective changes in cash financial position and the respective budgetary comparison for the General 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**

*Other Information*

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. 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 November 8, 2017, 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 8, 2017

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

The management's discussion and analysis of the Village of Newton Falls' (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2016, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Village's financial performance.

**Financial Highlights**

Key financial highlights for 2016 are as follows:

- The total net position of the Village increased \$798,140. The net position of governmental activities increased \$295,136 or 16.26% from 2015 and the net position of business-type activities increased \$503,004 or 13.11% from 2015.
- General cash receipts accounted for \$1,567,339 or 55.42% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,260,785 or 44.58% of total governmental activities cash receipts.
- The Village had \$2,532,424 in cash disbursements related to governmental activities; \$1,260,785 of these cash disbursements were offset by program specific charges for services, grants or contributions. The remaining cash disbursements of the governmental activities, were offset by general cash receipts (primarily property taxes, income taxes, and unrestricted grants and entitlements).
- The Village's major governmental funds include the general fund and the court special general projects fund. The general fund had cash receipts of \$2,056,536 in 2016. The cash disbursements and other financing uses of the general fund totaled \$1,865,854 in 2016. The fund cash balance of the general fund increased \$190,682 from a balance of \$330,057 to a balance of \$520,739.
- The court special general projects fund had cash receipts of \$112,061 in 2016. The cash disbursements of the court special general projects fund totaled \$4,139 in 2016. The fund cash balance of the court special general projects fund increased \$107,922 from \$413,165 to \$521,087.
- Net position for the business-type activities, which are composed of the water, sewer, electric and storm water (a nonmajor fund) enterprise funds, increased \$503,004 from \$3,835,638 to \$4,338,642.
- In the general fund, actual budgetary basis receipts totaled \$1,836,391 and actual budgetary basis disbursements and other uses totaled \$1,647,229.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Village's cash basis of accounting. The annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Village as a financial whole, or, as an entire operating entity.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**Report Components**

The statement of net position - cash basis and the statement of activities - cash basis provide information about the activities of the whole Village, presenting both an aggregate view of the Village's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Village's most significant funds, with all other nonmajor funds presented in total in a single column. For the Village, the general fund is the most significant fund. The Village's major governmental funds are the general fund and the court special general projects fund. The Village's major enterprise funds are the water fund, sewer fund, and electric fund.

**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, which is a basis of accounting other than generally accepted accounting principles (GAAP) in the United States of America. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on receipts and disbursements are not recorded in these financial statements; therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Village as a Whole**

**Statement of Net Position - Cash Basis and Statement of Activities - Cash Basis**

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did the Village perform financially during 2016?" These statements include only net position using the cash basis of accounting, which is a basis of accounting other than GAAP. This basis of accounting takes into account only the current year receipts and disbursements if the cash is actually received or paid.

These two statements report the Village's net position and changes in net position on a cash basis. This change in net position is important because it tells the reader that, for the Village as a whole, the cash basis financial position of the Village has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Village's property tax base, sales tax receipts, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and State programs, and other factors.

In the statement of net position - cash basis and the statement of activities - cash basis, the Village is divided into two distinct kinds of activities:

**Governmental activities** - Most of the Village's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental receipts including federal and State grants and other shared receipts.

**Business-type activities** - These services are provided on a charge for goods or services basis to recover all or a significant portion of the cash disbursements of the goods or services provided. The Village's water, sewer, electric and stormwater utility operations are reported here.



**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Fund financial reports provide detailed information about the Village's major funds. The Village uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Village's most significant funds.

***Governmental Funds***

Most of the Village's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed view of the Village's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various Village programs. Since the Village is reporting on the cash basis of accounting, there are no differences in the net position and fund cash balances or changes in net position and changes in fund cash balances.

The Village's budgetary process accounts for certain transactions on a cash basis, adjusted for encumbrances. The budgetary statements for the general fund and all annually budgeted major special revenue funds are presented to demonstrate the Village's compliance with annually adopted budgets.

***Proprietary Funds***

The Village maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its water, sewer, electric and storm water utility functions. The water, sewer and electric funds of the Village's enterprise funds are considered to be major funds. When the services are provided to other departments in the Village, the service is reported as an internal service fund. The Village has an internal service fund to account for employee health-care claims.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The Village's only fiduciary fund type are agency funds.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements as related to the cash basis of accounting.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**Government-Wide Financial Analysis**

The statement of net position - cash basis serves as a useful indicator of a government's financial position. The table below provides a summary of the Village's net position at December 31, 2016 and December 31, 2015.

	<b>Net Cash Position</b>					
	Governmental Activities 2016	Business-type Activities 2016	Governmental Activities 2015	Business-type Activities 2015	2016 Total	2015 Total
	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>	<u>Total</u>	<u>Total</u>
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 2,108,095	\$ 3,995,522	\$ 1,791,386	\$ 3,562,369	\$ 6,103,617	\$ 5,353,755
Restricted equity in pooled cash and cash equivalents	9,978	335,049	-	296,749	345,027	296,749
Internal balances	<u>(8,071)</u>	<u>8,071</u>	<u>23,480</u>	<u>(23,480)</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>2,110,002</u>	<u>4,338,642</u>	<u>1,814,866</u>	<u>3,835,638</u>	<u>6,448,644</u>	<u>5,650,504</u>
<u>Net cash position</u>						
Restricted	1,528,569	335,049	1,467,315	296,749	1,863,618	1,764,064
Unrestricted	<u>581,433</u>	<u>4,003,593</u>	<u>347,551</u>	<u>3,538,889</u>	<u>4,585,026</u>	<u>3,886,440</u>
<b>Total net cash position</b>	<u>\$ 2,110,002</u>	<u>\$ 4,338,642</u>	<u>\$ 1,814,866</u>	<u>\$ 3,835,638</u>	<u>\$ 6,448,644</u>	<u>\$ 5,650,504</u>

The total net position of the Village increased \$798,140. Net position of the governmental activities increased \$295,136 or 16.26% from 2015, and the net position of business-type activities increased \$503,004 or 13.11% from 2015.

At December 31, 2016, a portion of the Village's net position, \$1,863,618, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$4,585,026 may be used to meet the government's ongoing obligations to citizens and creditors.

The table on the following page shows the changes in net position for 2016 and 2015.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Change in Net Cash Position**

	Governmental Activities 2016	Business-type Activities 2016	Governmental Activities 2015	Business-type Activities 2015	2016 Total	2015 Total
<b>Cash receipts:</b>						
Program receipts:						
Charges for services	\$ 967,982	\$ 8,425,759	\$ 932,432	\$ 8,095,286	\$ 9,393,741	\$ 9,027,718
Operating grants and contributions	292,803	-	229,858	-	292,803	229,858
Capital grants and contributions	-	85,137	-	258,813	85,137	258,813
Total program receipts	<u>1,260,785</u>	<u>8,510,896</u>	<u>1,162,290</u>	<u>8,354,099</u>	<u>9,771,681</u>	<u>9,516,389</u>
General receipts:						
Property taxes	369,115	-	381,455	-	369,115	381,455
Income taxes	908,562	-	1,115,231	-	908,562	1,115,231
Unrestricted grants and entitlements	156,411	-	97,386	-	156,411	97,386
Bond anticipation note issue	-	1,845,000	-	2,045,000	1,845,000	2,045,000
Investment earnings	97,687	-	83,188	-	97,687	83,188
Miscellaneous	<u>35,564</u>	<u>58,407</u>	<u>23,579</u>	<u>35,902</u>	<u>93,971</u>	<u>59,481</u>
Total general receipts	<u>1,567,339</u>	<u>1,903,407</u>	<u>1,700,839</u>	<u>2,080,902</u>	<u>3,470,746</u>	<u>3,781,741</u>
Total cash receipts	<u>2,828,124</u>	<u>10,414,303</u>	<u>2,863,129</u>	<u>10,435,001</u>	<u>13,242,427</u>	<u>13,298,130</u>
<b>Cash disbursements:</b>						
General government	1,172,657	-	1,088,190	-	1,172,657	1,088,190
Security of persons and property	658,421	-	629,274	-	658,421	629,274
Leisure time activity	79,706	-	75,985	-	79,706	75,985
Community environment	18,616	-	17,605	-	18,616	17,605
Transportation	478,163	-	328,656	-	478,163	328,656
Capital outlay	77,636	-	85,795	-	77,636	85,795
Debt service:						
Principal retirement	46,111	-	14,617	-	46,111	14,617
Interest and fiscal charges	1,114	-	1,812	-	1,114	1,812
Water	-	1,653,552	-	1,870,905	1,653,552	1,870,905
Sewer	-	1,340,968	-	1,198,020	1,340,968	1,198,020
Electric	-	6,915,436	-	6,692,281	6,915,436	6,692,281
Stormwater utility	-	1,343	-	-	1,343	-
Total cash disbursements	<u>2,532,424</u>	<u>9,911,299</u>	<u>2,241,934</u>	<u>9,761,206</u>	<u>12,443,723</u>	<u>12,003,140</u>
Increase in net cash position before advances	295,700	503,004	621,195	673,795	798,704	1,294,990
Advances	<u>(564)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(564)</u>	<u>-</u>
Change in net cash position	295,136	503,004	621,195	673,795	798,140	1,294,990
Net cash position at beginning of year	<u>1,814,866</u>	<u>3,835,638</u>	<u>1,193,671</u>	<u>3,161,843</u>	<u>5,650,504</u>	<u>4,355,514</u>
Net cash position at end of year	<u>\$ 2,110,002</u>	<u>\$ 4,338,642</u>	<u>\$ 1,814,866</u>	<u>\$ 3,835,638</u>	<u>\$ 6,448,644</u>	<u>\$ 5,650,504</u>

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**Governmental Activities**

Governmental activities net position increased \$295,136 in 2016. This is the result of receipts outpacing disbursements, despite decreased receipts and increased disbursements in 2016 as compared to 2015.

General government represents the overhead costs of running the Village and support services for other Village activities and include the costs of Council, Village Manager, the finance office, law department and the municipal court. General government cash disbursements totaled \$1,172,657. General government cash disbursements were partially funded by \$437,130 in direct charges to users of the services.

Security of persons and property disbursements primarily support the operations of the police and fire departments and totaled \$658,421 during 2016, accounting for 26.00% of total governmental activities cash disbursements. Security of persons and property cash disbursements were partially funded by direct charges to users of \$328,961.

Leisure time activities represents are the costs of maintaining the parks and playing fields. Leisure time activity cash disbursements of \$79,706 were funded by \$1,281 in direct charges to users.

Community environment the costs associated with the code enforcement officer. Community environment cash disbursements of \$18,616 were funded by \$10,277 in direct charges to users.

Transportation represents the cost of maintaining the Village streets. Transportation cash disbursements of \$478,163 were partially funded by direct charges to users of \$4,485 and operating grants and contributions of \$226,225.

The State and federal government contributed to the Village a total of \$292,803 in operating grants and contributions. These program cash receipts are restricted to a particular program or purpose. Of the total operating grants and contributions, \$226,225 subsidized transportation programs.

General cash receipts totaled \$1,567,339 and amounted to 55.42% of total governmental cash receipts. These cash receipts primarily consist of property and income tax receipts of \$1,277,677. The other primary source of general cash receipts are grants and entitlements not restricted to specific programs, including local government and homestead and rollback reimbursements. Income tax collections decreased during 2016 as a result of less withholdings collected from individuals.

The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. As can be seen in the table on the following page, the Village is highly dependent upon general cash receipts (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities. Program cash receipts were not sufficient to cover total governmental cash disbursements for 2016.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>Governmental Activities</b>			
	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
<b>Cash disbursements:</b>				
General government	\$ 1,172,657	\$ 694,293	\$ 1,088,190	\$ 664,228
Security of persons and property	658,421	316,416	629,274	314,879
Leisure time activity	79,706	78,425	75,985	58,516
Community environment	18,616	8,339	17,605	(3,760)
Transportation	478,163	247,453	328,656	112,291
Capital outlay	77,636	(120,512)	85,795	(82,939)
Debt service:				
Principal retirement	46,111	46,111	14,617	14,617
Interest and fiscal charges	<u>1,114</u>	<u>1,114</u>	<u>1,812</u>	<u>1,812</u>
 Total	 <u>\$ 2,532,424</u>	 <u>\$ 1,271,639</u>	 <u>\$ 2,241,934</u>	 <u>\$ 1,079,644</u>

The dependence upon general cash receipts for governmental activities is apparent, with 50.21% of cash disbursements supported through taxes and other general cash receipts.

**Business-type Activities**

Business-type activities include the water, sewer, electric and storm water enterprise funds. These programs had program cash receipts of \$8,510,896, general cash receipts of \$1,903,407 and cash disbursements of \$9,911,299 during 2016. The net position of these programs increased \$503,004 from 2015.

**Financial Analysis of the Government's Funds**

As previously noted, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The Village's governmental funds are accounted for using the cash basis of accounting.

The Village's governmental funds reported a combined fund cash balance of \$2,039,075, which is \$251,887 greater than last year's total of \$1,787,188.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

The schedule below indicates the fund cash balances and the total change in fund cash balances as of December 31, 2016, and December 31, 2015 for all major and nonmajor governmental funds.

	Fund Cash Balances 12/31/2016	Fund Cash Balances 12/31/2015	Change
Major funds:			
General	\$ 520,739	\$ 330,057	\$ 190,682
Court Special General Projects	521,087	413,165	107,922
Nonmajor governmental funds	997,249	1,043,966	(46,717)
Total	<u>\$ 2,039,075</u>	<u>\$ 1,787,188</u>	<u>\$ 251,887</u>

**General Fund**

The Village's general fund cash balance increased \$190,682. The table that follows assists in illustrating the cash receipts of the general fund for 2016 and 2015.

	2016 Amount	2015 Amount	Amount Change	Percentage Change
<b><u>Cash receipts:</u></b>				
Taxes	\$ 1,043,709	\$ 1,149,533	\$ (105,824)	(9.21) %
Intergovernmental	156,411	97,386	59,025	60.61 %
Charges for services	9,748	12,852	(3,104)	(24.15) %
Fines, licenses and permits	725,711	679,538	46,173	6.79 %
Investment income	97,687	83,188	14,499	17.43 %
Miscellaneous	23,270	15,484	7,786	50.28 %
Total	<u>\$ 2,056,536</u>	<u>\$ 2,037,981</u>	<u>\$ 18,555</u>	0.91 %

Overall, cash receipts of the general fund increased \$18,555 or 0.91%. Taxes decreased as a result of less income taxes collected during 2016 from individuals, despite a change in legislation effective for 2016 increasing the percentage of income tax allocated to the general fund from 75% to 80%. Intergovernmental receipts increased \$59,025 or 60.61% primarily due to an increase in state grants and subsidies. Investment income increased \$14,499 or 17.43% primarily due to increasing interest rates. Other cash receipts increased \$7,786 or 50.28% primarily due to an increase of reimbursements in 2016.

The table that follows assists in illustrating the cash disbursements of the general fund for 2016 and 2015.

	2016 Amount	2015 Amount	Amount Change	Percentage Change
<b><u>Cash disbursements:</u></b>				
General government	\$ 1,183,213	\$ 1,078,809	\$ 104,404	9.68 %
Security of persons and property	648,307	598,769	49,538	8.27 %
Community environment	18,616	17,605	1,011	5.74 %
Total	<u>\$ 1,850,136</u>	<u>\$ 1,695,183</u>	<u>\$ 154,953</u>	9.14 %

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Overall, cash disbursements of the general fund increased \$154,953, or 9.14%, due to an overall increase in salaries and fringe benefits.

***Court Special General Projects Fund***

The court special general projects fund had cash receipts of \$112,061 in 2016. The cash disbursements of the court special general projects fund totaled \$4,139 in 2016. The fund cash balance of the court special general projects fund increased \$107,922 from \$413,165 to \$521,087.

***Proprietary Funds***

***Major Enterprise Funds***

The water fund had total operating receipts of \$1,725,379, total operating disbursements of \$1,437,096, total nonoperating disbursements of \$232,272, and capital contributions of \$85,137. Net position increased by \$141,148.

The sewer fund had total operating receipts of \$1,418,216, total operating disbursements of \$896,001, and total nonoperating disbursements of \$452,822. Net position increased by \$69,393.

The electric fund had total operating receipts of \$5,254,919, total operating disbursements of \$4,792,872, and total nonoperating receipts of \$1,845,000 and total nonoperating disbursements of \$2,130,444. Net position increased by \$176,603. The Village issued and retired a bond anticipation note in the amount of \$1,845,000 and \$2,045,000, respectively, for various electric improvements and upgrades.

***Budgeting Highlights***

The Village's budgeting process is prescribed by the Ohio Revised Code (ORC). In essence, the budget is the Village's appropriations which are restricted by the amounts of anticipated cash receipts certified by the Budget Commission in accordance with the ORC; as a consequence, the Village's plans or desires cannot be reflected completely by the original budget. If budgeted cash receipts change based on actual activity throughout the year, then the appropriations may be adjusted accordingly.

Budgetary information is presented in the Village's financial statements for the general fund and court special general projects fund, the Village's only major special revenue fund. In the general fund, actual budgetary basis receipts totaled \$1,836,391 and actual budgetary basis disbursements and other uses totaled \$1,647,229.

**Capital Assets and Debt Administration**

***Capital Assets***

The Village does not report capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The Village had cash disbursements for capital outlay of \$77,636 in the governmental activities and \$498,746 in the business-type activities during 2016.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

***Debt Administration***

The Village does not report liabilities for long-term obligations in the accompanying basic financial statements, but does track the outstanding balances of all long-term debt in the notes to the basic financial statements. The Village had the following long-term obligations outstanding at December 31, 2016 and December 31, 2015.

	Governmental Activities	
	2016	2015
Capital lease	\$ 73,625	\$ 29,540
Ohio police pension	13,442	13,671
Total long-term obligations	\$ 87,067	\$ 43,211
	Business-type Activities	
	2016	2015
Mortgage revenue bonds	\$ 6,520,900	\$ 6,613,900
OWDA loans	1,264,014	1,428,405
OPWC loans	586,606	633,178
Electric system bond anticipation notes	1,845,000	2,045,000
Capital lease	516,072	609,079
Total long-term obligations	\$ 10,732,592	\$ 11,329,562

Further detail on the Village's long-term obligations can be found in Note 11 to the basic financial statements.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information please contact Anna Musson, Finance Director, Village of Newton Falls, 419 North Center Street, Newton Falls, Ohio 44444.



**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS  
DECEMBER 31, 2016

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 2,108,095	\$ 3,995,522	\$ 6,103,617
Restricted equity in pooled cash and cash equivalents . . . . .	9,978	335,049	345,027
Internal balances . . . . .	(8,071)	8,071	-
<b>Total assets . . . . .</b>	<b>2,110,002</b>	<b>4,338,642</b>	<b>6,448,644</b>
<b>Net position:</b>			
Restricted for:			
Debt service . . . . .	-	335,049	335,049
Unclaimed monies. . . . .	9,978	-	9,978
Recreation. . . . .	25,312	-	25,312
Public safety . . . . .	1,044,406	-	1,044,406
Street maintenance. . . . .	190,130	-	190,130
Enforcement and education . . . . .	38,071	-	38,071
Community development. . . . .	40,005	-	40,005
Capital improvements . . . . .	180,667	-	180,667
Unrestricted. . . . .	581,433	4,003,593	4,585,026
<b>Total net position . . . . .</b>	<b>\$ 2,110,002</b>	<b>\$ 4,338,642</b>	<b>\$ 6,448,644</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<b>Program Cash Receipts</b>			
	<b>Cash Disbursements</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
General government. . . . .	\$ 1,172,657	\$ 437,130	\$ 41,234	\$ -
Security of persons and property . . .	658,421	328,961	13,044	-
Leisure time activities. . . . .	79,706	1,281	-	-
Community environment . . . . .	18,616	10,277	-	-
Transportation. . . . .	478,163	4,485	226,225	-
Capital outlay . . . . .	77,636	185,848	12,300	-
Principal retirement . . . . .	46,111	-	-	-
Interest and fiscal charges. . . . .	1,114	-	-	-
Total governmental activities . . . . .	<u>2,532,424</u>	<u>967,982</u>	<u>292,803</u>	<u>-</u>
<b>Business-type activities:</b>				
Water . . . . .	1,653,552	1,724,106	-	85,137
Sewer . . . . .	1,340,968	1,385,890	-	-
Electric. . . . .	6,915,436	5,230,111	-	-
Storm water . . . . .	1,343	85,652	-	-
Total business-type activities . . . . .	<u>9,911,299</u>	<u>8,425,759</u>	<u>-</u>	<u>85,137</u>
Total primary government . . . . .	<u>\$ 12,443,723</u>	<u>\$ 9,393,741</u>	<u>\$ 292,803</u>	<u>\$ 85,137</u>

**General receipts:**

Property taxes levied for:
General purposes . . . . .
Permissive auto. . . . .
Police pension . . . . .
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 note issue. . . . .
Investment earnings . . . . .
Miscellaneous . . . . .
Total general receipts . . . . .
Advances . . . . .
Change in net position . . . . .
<b>Net position at beginning of year . . . . .</b>
<b>Net position at end of year . . . . .</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Disbursements) Receipts  
and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (694,293)	\$ -	\$ (694,293)
(316,416)	-	(316,416)
(78,425)	-	(78,425)
(8,339)	-	(8,339)
(247,453)	-	(247,453)
120,512	-	120,512
(46,111)	-	(46,111)
(1,114)	-	(1,114)
<u>(1,271,639)</u>	<u>-</u>	<u>(1,271,639)</u>
-	155,691	155,691
-	44,922	44,922
-	(1,685,325)	(1,685,325)
-	84,309	84,309
<u>-</u>	<u>(1,400,403)</u>	<u>(1,400,403)</u>
<u>(1,271,639)</u>	<u>(1,400,403)</u>	<u>(2,672,042)</u>
259,096	-	259,096
95,287	-	95,287
14,732	-	14,732
784,613	-	784,613
72,293	-	72,293
10,346	-	10,346
41,310	-	41,310
156,411	-	156,411
-	1,845,000	1,845,000
97,687	-	97,687
35,564	58,407	93,971
<u>1,567,339</u>	<u>1,903,407</u>	<u>3,470,746</u>
<u>(564)</u>	<u>-</u>	<u>(564)</u>
295,136	503,004	798,140
<u>1,814,866</u>	<u>3,835,638</u>	<u>5,650,504</u>
<u>\$ 2,110,002</u>	<u>\$ 4,338,642</u>	<u>\$ 6,448,644</u>

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	<u>General</u>	<u>Court Special General Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . .	\$ 510,761	\$ 521,087	\$ 997,249	\$ 2,029,097
Restricted assets:				
Equity in pooled cash and cash equivalents .	9,978	-	-	9,978
Total assets . . . . .	<u>520,739</u>	<u>521,087</u>	<u>997,249</u>	<u>2,039,075</u>
<b>Fund balances:</b>				
Nonspendable . . . . .	9,978	-	-	9,978
Restricted. . . . .	255	521,087	997,249	1,518,591
Assigned . . . . .	122,625	-	-	122,625
Unassigned . . . . .	387,881	-	-	387,881
Total fund balances. . . . .	<u>\$ 520,739</u>	<u>\$ 521,087</u>	<u>\$ 997,249</u>	<u>\$ 2,039,075</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF CASH BASIS ASSETS AND FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016

<b>Total governmental fund balances</b>	\$	2,039,075
---	----	-----------

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

An 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	78,998	
Internal balances	<u>(8,071)</u>	
Total		<u>70,927</u>

<b>Net position of governmental activities</b>	\$	<u><u>2,110,002</u></u>
--	----	-------------------------

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<b>General</b>	<b>Court Special General Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts:</b>				
Property and other local taxes . . . . .	\$ 259,096	\$ -	\$ 110,019	\$ 369,115
Municipal income taxes . . . . .	784,613	-	123,949	908,562
Intergovernmental. . . . .	156,411	-	268,303	424,714
Charges for services. . . . .	9,748	-	16,043	25,791
Fines, licenses and permits . . . . .	725,711	112,061	104,419	942,191
Investment earnings . . . . .	97,687	-	-	97,687
Miscellaneous . . . . .	23,270	-	36,794	60,064
<b>Total receipts . . . . .</b>	<b>2,056,536</b>	<b>112,061</b>	<b>659,527</b>	<b>2,828,124</b>
<b>Disbursements:</b>				
Current:				
General government . . . . .	1,183,213	-	18,804	1,202,017
Security of persons and property . . . . .	648,307	-	17,674	665,981
Leisure time activities. . . . .	-	-	79,706	79,706
Community environment . . . . .	18,616	-	-	18,616
Transportation . . . . .	-	-	484,492	484,492
Capital outlay . . . . .	-	4,139	73,497	77,636
Debt service:				
Principal retirement. . . . .	-	-	46,111	46,111
Interest and fiscal charges. . . . .	-	-	1,114	1,114
<b>Total disbursements . . . . .</b>	<b>1,850,136</b>	<b>4,139</b>	<b>721,398</b>	<b>2,575,673</b>
Excess (deficiency) of receipts over (under) disbursements. . . . .	206,400	107,922	(61,871)	252,451
<b>Other financing sources (uses):</b>				
Advances (out). . . . .	(564)	-	-	(564)
Transfers in . . . . .	-	-	15,154	15,154
Transfers (out). . . . .	(15,154)	-	-	(15,154)
<b>Total other financing sources (uses) . . . . .</b>	<b>(15,718)</b>	<b>-</b>	<b>15,154</b>	<b>(564)</b>
Net change in fund balances . . . . .	190,682	107,922	(46,717)	251,887
<b>Fund balances at beginning of year . . . . .</b>	<b>330,057</b>	<b>413,165</b>	<b>1,043,966</b>	<b>1,787,188</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 520,739</b>	<b>\$ 521,087</b>	<b>\$ 997,249</b>	<b>\$ 2,039,075</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, 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, 2016

<b>Net change in fund balances - total governmental funds</b>	\$	251,887
---	----	---------

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

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-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 governmental activities:

Net position	74,800	
Internal balances	(31,551)	
Total		43,249

<b>Change in net position of governmental activities</b>	\$	<u>295,136</u>
--	----	----------------

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property and other local taxes . . . . .	\$ 231,080	\$ 231,080	\$ 259,096	\$ 28,016
Municipal income taxes . . . . .	503,523	503,523	564,571	61,048
Intergovernmental. . . . .	139,498	139,498	156,411	16,913
Charges for services. . . . .	8,694	8,694	9,748	1,054
Fines, licenses and permits . . . . .	647,238	647,238	725,711	78,473
Investment earnings . . . . .	87,124	87,124	97,687	10,563
Miscellaneous . . . . .	20,662	20,662	23,167	2,505
<b>Total receipts . . . . .</b>	<u>1,637,819</u>	<u>1,637,819</u>	<u>1,836,391</u>	<u>198,572</u>
<b>Disbursements:</b>				
Current:				
General government . . . . .	940,886	996,008	964,588	31,420
Security of persons and property . . . . .	727,230	666,890	648,307	18,583
Community environment . . . . .	26,024	26,024	18,616	7,408
<b>Total disbursements. . . . .</b>	<u>1,694,140</u>	<u>1,688,922</u>	<u>1,631,511</u>	<u>57,411</u>
Excess (deficiency) of receipts over (under) disbursements . . . . .	<u>(56,321)</u>	<u>(51,103)</u>	<u>204,880</u>	<u>255,983</u>
<b>Other financing (uses):</b>				
Advances (out) . . . . .	-	(564)	(564)	-
Transfers (out). . . . .	(5,500)	(15,154)	(15,154)	-
<b>Total other financing (uses) . . . . .</b>	<u>(5,500)</u>	<u>(15,718)</u>	<u>(15,718)</u>	<u>-</u>
Net change in fund balances . . . . .	(61,821)	(66,821)	189,162	255,983
<b>Fund balances at beginning of year . . . . .</b>	252,575	252,575	252,575	-
<b>Prior year encumbrances appropriated . . . . .</b>	41,800	41,800	41,800	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 232,554</u>	<u>\$ 227,554</u>	<u>\$ 483,537</u>	<u>\$ 255,983</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
COURT SPECIAL GENERAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Fines, licenses and permits . . . . .	\$ 75,000	\$ 75,000	\$ 112,061	\$ 37,061
Total receipts . . . . .	<u>75,000</u>	<u>75,000</u>	<u>112,061</u>	<u>37,061</u>
<b>Disbursements:</b>				
Capital outlay . . . . .	15,000	15,000	4,139	10,861
Total expenditures . . . . .	<u>15,000</u>	<u>15,000</u>	<u>4,139</u>	<u>10,861</u>
Net change in fund balances . . . . .	60,000	60,000	107,922	47,922
<b>Fund balances at beginning of year . . . . .</b>	413,165	413,165	413,165	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 473,165</u>	<u>\$ 473,165</u>	<u>\$ 521,087</u>	<u>\$ 47,922</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

STATEMENT OF FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2016

	<b>Business-type Activities - Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>	<b>Nonmajor Enterprise Fund</b>	<b>Total</b>
<b>Assets:</b>					
Equity in pooled cash and and cash equivalents . . . . .	\$ 1,436,410	\$ 816,233	\$ 1,651,190	\$ 91,689	\$ 3,995,522
Restricted assets:					
Equity in pooled cash and and cash equivalents . . . . .	-	335,049	-	-	335,049
Total assets. . . . .	1,436,410	1,151,282	1,651,190	91,689	4,330,571
<b>Net Position:</b>					
Restricted for debt service . . . . .	-	335,049	-	-	335,049
Unrestricted . . . . .	1,436,410	816,233	1,651,190	91,689	3,995,522
Total net position. . . . .	\$ 1,436,410	\$ 1,151,282	\$ 1,651,190	\$ 91,689	4,330,571
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.					8,071
Net position of business-type activities					\$ 4,338,642

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Governmental  
Activities**

---

**Internal  
Service Fund**

---

\$ 78,998

-

---

78,998

---

-

78,998

---

\$ 78,998

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

STATEMENT OF CASH RECIEPTS, DISBURSEMENTS AND  
CHANGES IN FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<b>Business-type Activities - Enterprise Funds</b>				<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>	<b>Nonmajor Enterprise Fund</b>	
<b>Operating receipts:</b>					
Charges for services . . . . .	\$ 1,724,106	\$ 1,385,890	\$ 5,230,111	\$ 85,652	\$ 8,425,759
Miscellaneous . . . . .	1,273	32,326	24,808	-	58,407
<b>Total operating receipts . . . . .</b>	<b>1,725,379</b>	<b>1,418,216</b>	<b>5,254,919</b>	<b>85,652</b>	<b>8,484,166</b>
<b>Operating disbursements</b>					
Personal services . . . . .	821,323	506,654	520,136	-	1,848,113
Travel and transportation . . . . .	1,698	1,051	5,603	-	8,352
Contractual services. . . . .	228,267	212,664	4,062,903	1,343	4,505,177
Materials and supplies. . . . .	134,544	58,160	74,220	-	266,924
Claims. . . . .	-	-	-	-	-
Capital outlay . . . . .	251,264	117,472	130,010	-	498,746
<b>Total operating disbursements. . . . .</b>	<b>1,437,096</b>	<b>896,001</b>	<b>4,792,872</b>	<b>1,343</b>	<b>7,127,312</b>
<b>Operating income . . . . .</b>	<b>288,283</b>	<b>522,215</b>	<b>462,047</b>	<b>84,309</b>	<b>1,356,854</b>
<b>Nonoperating receipts (disbursements):</b>					
Principal retirement . . . . .	(199,196)	(157,793)	(2,084,981)	-	(2,441,970)
Interest and fiscal charges . . . . .	(33,076)	(295,029)	(45,463)	-	(373,568)
Bond anticipation note issuance . . . . .	-	-	1,845,000	-	1,845,000
<b>Total nonoperating receipts (disbursements) . . . . .</b>	<b>(232,272)</b>	<b>(452,822)</b>	<b>(285,444)</b>	<b>-</b>	<b>(970,538)</b>
<b>Income before capital contributions. . . . .</b>	<b>56,011</b>	<b>69,393</b>	<b>176,603</b>	<b>84,309</b>	<b>386,316</b>
<b>Capital contributions . . . . .</b>	<b>85,137</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,137</b>
<b>Change in net position . . . . .</b>	<b>141,148</b>	<b>69,393</b>	<b>176,603</b>	<b>84,309</b>	<b>471,453</b>
<b>Net position at beginning of year . . . . .</b>	<b>1,295,262</b>	<b>1,081,889</b>	<b>1,474,587</b>	<b>7,380</b>	
<b>Net position at end of year . . . . .</b>	<b>\$ 1,436,410</b>	<b>\$ 1,151,282</b>	<b>\$ 1,651,190</b>	<b>\$ 91,689</b>	
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.					31,551
Change in net position of business-type activities.					<u>\$ 503,004</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Governmental  
Activities**

**Internal  
Service Fund**

\$ 924,232  
26,320  

---

950,552

-  
-  
-  
-  
875,752  
-  

---

875,752  

---

74,800

-  
-  
-  

---

-  

---

74,800  
-  

---

74,800  
4,198  

---

\$ 78,998

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2016

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 213,650
Cash and cash equivalents in segregated accounts segregated accounts. . . . .	13,125
Total assets. . . . .	\$ 226,775
<b>Liabilities:</b>	
Deposits held and due to others. . . . .	\$ 226,775

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 1 - DESCRIPTION OF THE VILLAGE**

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.

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, electric, and storm water 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.

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 13 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**

**A. Reporting Entity**

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.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. 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. 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 balance 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 the 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 fund 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.



**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. 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 disbursed or transferred according to the general laws of Ohio.

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.

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

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

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

The other enterprise fund of the City accounts for storm water utility.

Internal Service Fund - The internal service fund accounts 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 fund reports on the Village departments' self-insurance programs for employee medical benefits.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

***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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village's agency funds include a fund used to account for the amounts collected by the Newton Falls Municipal Court that are paid to other governments, funds used to account for refundable deposits, a fund used to account for fire repair and removal, and a fund used to account for amounts collected for fire/township fuel that are distributed to other local governments.

**D. Basis of Accounting**

The Village's basic 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 incurred. Any such modifications made by the Village are described in the appropriate section of the notes to the basic financial statements.

As a result of the use of this cash basis of accounting, certain assets, deferred outflows of resources, certain liabilities, deferred inflows of resources, and the effects of these items on receipts and disbursements are not recorded in these financial statements.

**E. 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 disbursements at the level of control selected by Village Council. The legal level of control has been established by Village Council at the object level for all funds.

The certificate of estimated resources may be amended during the year if the Village Finance Director projected 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 appropriation ordinances 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 forward from prior years. The amounts reported as the final budget represent the final appropriation ordinance passed by Village Council during the year.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. Cash and Cash Equivalents**

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

The Village has segregated bank accounts for monies held separately from the Village's central bank account. These various depository accounts are presented as "cash and cash equivalents in segregated accounts" on the basic financial statements.

During 2016, the Village's investments were limited to mutual funds, taxable bonds, and asset backed securities. In accordance with the cash basis of accounting, all Village investments are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2016 amounted to \$97,687, which includes \$91,481 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.

**G. 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.

**H. Inventory and Prepaid Items**

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

**I. Capital Assets**

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

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**J. Internal Balances**

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

**K. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting utilized by the Village.

**L. Pensions**

For purposes of measuring net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**M. Long-term Obligations**

The Village's cash basis financials 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 disbursement is reported at inception.

**N. 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 classification includes amounts that cannot be spent because they are not in spendable form or legally 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 are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation (Village ordinances).

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external 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.

*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 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 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 nor 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 all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit balance.

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

**O. Net Position**

Net position is reported as restricted when there are limitations imposed on its 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.

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

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**P. Interfund Activity**

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

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

**Q. Fair Value Measurements**

The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See note 5 to the basic financial statements for detail.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2016.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For 2016, the Village has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 required additional note disclosures for the Village.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Village.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Village.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Village.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Village.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Village.

**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 Statements of Cash Receipts, Disbursements and Changes in Fund Balance - Budget and Actual (Budgetary Basis) presented for the general fund and the court special general projects fund are 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 disbursements (budgetary basis) rather than as a component of fund cash balance (cash basis) and some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budgetary basis). At December 31, 2016, the encumbrances outstanding at year end (budgetary basis) amounted to \$16,687 for the general fund and \$0 for the court special general projects fund. At December 31, 2016, funds included as part of the general fund (cash basis) had a total fund balance of \$20,515.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 5 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 the Village 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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, 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. No-load money market mutual funds consisting exclusively of obligations described in items 1 and 2 above 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;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool, State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain commercial paper notes and banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five 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 items 1 and 2 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.



**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash in Segregated Accounts**

At year end, the Village had \$13,125 deposited with financial institutions for monies related to the Newton Falls Municipal Court, which is reported in an agency fund. This amount is included in the Village's depository balance below.

**B. Deposits with Financial Institutions**

At December 31, 2016, the carrying amount of all Village deposits was \$1,493,738. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016, \$1,823,964 of the Village's bank balance of \$2,220,242 was exposed to custodial credit risk as discussed below, while \$396,278 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Village's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village. The Village has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

**C. Investments**

Investments are reported at cost in accordance with the cash basis of accounting. As of December 31, 2016, the Village had the following investments:

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Investment type</u>	<u>Cost</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard &amp; Poor's</u>	<u>Percent of Total Investments</u>
Mutual funds	\$ 3,452,927	\$ 3,367,815	Daily	n/a	66.64%
Taxable bonds & notes	1,645,538	1,635,033	Five Years +	AA+ - BBB+	31.76%
Asset backed securities	<u>83,216</u>	<u>81,327</u>	Five Years +	n/a	1.61%
Total	<u>\$ 5,181,681</u>	<u>\$ 5,084,175</u>			

The Village's investments in taxable bonds and notes and asset backed securities are valued using quoted market prices (Level 1 inputs).

*Interest Rate Risk:* As a means for limiting its exposure to fair value losses caused by rising interest rates, the Village's investment policy requires the 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.

*Credit Risk:* The Village has no investment policy that addresses credit risk.

*Concentration of Credit Risk:* The Village places no limit on the amount that may be invested in any one issuer.

**NOTE 6 - TAXES**

**A. Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Village. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. 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 real property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 6 - TAXES - (Continued)**

The full tax rate for all Village operations for the year ended December 31, 2016 was \$2.50 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2016 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 41,137,690
Commercial/industrial	15,739,560
<u>Public utility</u>	
Personal	<u>1,110,980</u>
Total assessed value	<u><u>\$ 57,988,230</u></u>

**B. Income Taxes**

The Village levies and collects an income tax of 1.00% on all income tax 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 2016. 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 return annually. In 2016, the net proceeds were allocated 80% to the general fund, 2% to the general reserve, 10.5% to the street, construction, repair and maintenance special revenue fund, 1.50% to the park and recreation special revenue fund, 5% to the capital improvement capital projects fund, and 1% to the future building capital projects fund.

**NOTE 7 - RISK MANAGEMENT**

**A. Comprehensive**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, the Village contracted with the Ohio Municipal Joint Self-Insurance Pool for various types of insurance coverage as follows on the next page.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 7 - RISK MANAGEMENT - (Continued)**

	<u>Limit</u>	<u>Deductible</u>
General liability and public officials liability:		
Bodily injury and property damage	\$6,000,000	\$1,000
Law enforcement	6,000,000	10,000
Fire damage legal	100,000	1,000
Personal and advertising injury	6,000,000	1,000
Public officials	6,000,000	25,000
Annual aggregate limit \$6,000,000		
Employee benefit	1,000,000	1,000
Annual aggregate limit \$1,000,000		
Municipal attorney & law directors	1,000,000	25,000
Annual aggregative limit \$1,000,000		
Stop gap	1,000,000	1,000
Medical payments	10,000	-
Automobile liability	6,000,000	-
Uninsured/underinsured motorist	40,000	-
Hired/borrowed physical damage	35,000	1,000
Medical payments	5,000	-
Inland marine	1,050,921	1,000
Property	40,004,195	1,000
Electronic data processing	101,500	500

There has been no significant reduction in insurance coverage from 2015 and no insurance settlement has exceeded insurance coverage during the last three years.

**B. Employee Health Benefits**

The Village provides employees with a health benefit plan insured through Ohio Mutual. A portion of the Village's health plan design is self-insured, in that it provides benefits beyond those provided by Ohio Mutual. The maximum exposure for the self-insured portion of claims is \$10,000 per employee per years. These claims are administered by the Ohio Public Entity Consortium

**C. Workers Compensation**

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

**NOTE 8 - INTERFUND TRANSFERS AND ADVANCES**

During 2016, the general fund transferred \$5,317 and \$9,837 to the street construction, maintenance and repair fund and the senior van special revenue funds; respectively, to provide additional operating costs per the budget.

During 2016, the general fund advanced \$564 to the fire/township fuel agency fund.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 9 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - Village employees, other than full-time police and firefighters, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 9 - PENSION PLANS - (Continued)**

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$272,759 for 2016.

**B. Ohio Police & Fire Pension Fund**

Plan Description - Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. 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 and detailed information about OPF fiduciary net position. 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.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 9 - PENSION PLANS - (Continued)**

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	19.50 %
Employee:	12.25 %
 <b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50 %
Total Employer	19.50 %
Employee:	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF for police officers was \$43,705 for 2016.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 10 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

OPERS - Plan Description

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to 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.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and combined Plan 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 health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

OPERS - Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, state and local employees contributed at a rate of 10% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employers units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees 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 and Combined Plan was 2% during calendar year 2015.

The OPERS Board of Trustees 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. The Village's contributions allocated to fund post-employment health care for the years ended December 31, 2016, 2015, and 2014 were \$37,293, \$38,168 and \$39,202, respectively; 88.24% has been contributed for 2016 and 100% has been contributed for 2015 and 2014.

**B. Ohio Police and Fire Pension Fund**

OP&F - Plan Description

The Village contributes to the OP&F Pension Fund 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.



**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 10 - POST-EMPLOYMENT BENEFIT PLAN - (Continued)**

OP&F provides access to post-employment health care coverage to 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 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 statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at [www.op-f.org](http://www.op-f.org).

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 to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts, one account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 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 into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the portion of employer contributions allocated to health care was 0.50% 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 the 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 officers for the years ended December 31, 2016, 2015 and 2014, were \$1,119, \$1,164, and \$1,196, respectively. For 2016, 90.66% has been contributed. 100% has been contributed for 2015 and 2014.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 11 - LONG-TERM OBLIGATIONS**

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

	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>
<b><i>Governmental-Type Debt:</i></b>			
Ohio Police Pension	4.25	n/a	2035
<b><i>Business-Type Debt:</i></b>			
<u><i>Mortgage Revenue Bonds</i></u>			
Series A	4.38	4,960,000	2048
Series B	4.38	2,205,000	2048
<u><i>OWDA Loans</i></u>			
Warren Avenue Combined Sewer Separation	1.00	92,085	2030
Water Treatment Plant Improvements	2.00	3,102,133	2024
<u><i>OPWC Loans</i></u>			
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
<u><i>Bond Anticipation Note</i></u>			
Electric System Bond Anticipation Note	2.00	1,845,000	2017

The Village's long-term obligations activity for the year ended December 31, 2016, was as follows:

	<u>Balance Outstanding 12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 12/31/16</u>	<u>Amount Due in One Year</u>
<b>Governmental activities:</b>					
Capital Lease	\$ 29,540	\$ 89,967	\$ (45,882)	\$ 73,625	\$ 43,655
Ohio Police Pension	<u>13,671</u>	<u>-</u>	<u>(229)</u>	<u>13,442</u>	<u>717</u>
Total governmental activities	<u>\$ 43,211</u>	<u>\$ 89,967</u>	<u>\$ (46,111)</u>	<u>\$ 87,067</u>	<u>\$ 44,372</u>

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

	Balance Outstanding <u>12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>12/31/16</u>	Amount Due in <u>One Year</u>
<b>Business-type activities:</b>					
<i>Mortgage Revenue Bonds</i>					
Series A	\$ 4,578,500	\$ -	\$ (64,400)	\$ 4,514,100	\$ 67,300
Series B	<u>2,035,400</u>	-	<u>(28,600)</u>	<u>2,006,800</u>	<u>29,900</u>
Total Mortgage Revenue Bonds	<u>6,613,900</u>	-	<u>(93,000)</u>	<u>6,520,900</u>	<u>97,200</u>
<i>OWDA Loans</i>					
Warren Avenue Combined					
Sewer Separation	37,900	-	(2,442)	35,458	2,466
Water Treatment Plant Improvements	<u>1,390,505</u>	-	<u>(161,949)</u>	<u>1,228,556</u>	<u>165,205</u>
Total OWDA Loans	<u>1,428,405</u>	-	<u>(164,391)</u>	<u>1,264,014</u>	<u>167,671</u>
<i>OPWC Loans</i>					
Broad Street Water Distribution	114,058	-	(12,673)	101,385	12,673
Broad Street Storm Water	83,921	-	(9,325)	74,596	9,325
Water Main Valve Replacement	20,515	-	(2,159)	18,356	2,159
Elevated Water Storage					
Tank Rehabilitation	<u>414,684</u>	-	<u>(22,415)</u>	<u>392,269</u>	<u>22,415</u>
Total OPWC Loans	<u>633,178</u>	-	<u>(46,572)</u>	<u>586,606</u>	<u>46,572</u>
<i>Bond Anticipation Notes</i>					
Electric System	<u>2,045,000</u>	<u>1,845,000</u>	<u>(2,045,000)</u>	<u>1,845,000</u>	<u>1,845,000</u>
Capital Lease	<u>609,079</u>	-	<u>(145,527)</u>	<u>463,552</u>	<u>95,499</u>
Total Business-Type Activities	<u>\$ 11,329,562</u>	<u>\$ 1,845,000</u>	<u>\$ (2,494,490)</u>	<u>\$ 10,680,072</u>	<u>\$ 2,251,942</u>

The Ohio police pension liability will be paid from the special levy police nonmajor 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. 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. During 2016, the Village entered into a three-year capital lease with Key Government Finance, Inc. for police vehicles for the principal amount of \$89,967. The leases will be paid from the capital improvement capital projects fund. See Note 12 to the notes to the basic financial statements for detail.

During 2015, the Village entered into a seven-year capital lease with Key Government Finance, Inc. for a vac truck for the principal amount of \$397,579. The lease will be paid from the sewer enterprise fund. See Note 12 to the notes to the basic financial statements for detail.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

During 2015, the Village entered into a five-year capital lease with KS State Bank for a bucket truck for the principal amount of \$211,500. The lease will be paid from the electric enterprise fund. See Note 12 to the notes to the basic financial statements for detail.

During 2015, the Village of Newton Falls issued a bond anticipation note for \$2,045,000 payable at a rate of 2.00 percent, for various improvements to the Broad Street Lighting, festival power, South Circuit voltage conversion and upgrade, Warren Road substation addition, Church Street substation addition, and Peak Shaving Generator back-up. This issuance matures on June 26, 2016.

During 2016, the Village of Newton Falls issued a bond anticipation note for \$1,845,000 payable at a rate of 2.00 percent, for various improvements to the Broad Street Lighting, festival power, South Circuit voltage conversion and upgrade, Warren Road substation addition, Church Street substation addition, and Peak Shaving Generator back-up. This issuance matures on June 22, 2017.

The Village has entered into contractual agreements totaling \$931,450 for the Broad Street water distribution, Broad Street storm water, water main valve replacement, and elevated water storage tank rehabilitation loans from the Ohio Public Works Commission (OPWC), and totaling \$3,194,218 for the Warren Avenue combined sewer separation and water treatment plan improvement loans from the Ohio Water Development Authority (OWDA). Under the terms of these agreements, OPWC and OWDA will reimburse, advance or directly pay the construction costs of the approved projects. OPWC and OWDA will capitalize administrative costs and construction interest and then add them to the total amounts of the final loans.

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, 2016, 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 \$335,049 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 2.32 percent of net revenues. The total principal remaining to be paid on the debt is \$110,054. Principal paid for the current year and total net revenues were \$11,767 and \$522,215, 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 require 78.47 percent of net revenues. The total principal remaining to be paid on the debt is \$1,740,566. Principal paid for the current year and total net revenues were \$199,196 and \$288,283, respectively.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The Village's overall legal debt margin was \$6,088,764 with an unvoted debt margin of \$3,189,353 at December 31, 2016.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2016 are as follows:

Year Ending December 31,	Governmental Activities			Business-Type Activities		
	Ohio Police Pension Liability			Mortgage Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 717	\$ 843	\$ 1,560	\$ 97,200	\$ 285,290	\$ 382,490
2018	505	535	1,040	101,400	281,037	382,437
2019	526	514	1,040	105,800	276,600	382,400
2020	549	491	1,040	110,500	271,972	382,472
2021	572	468	1,040	115,300	267,138	382,438
2022 - 2026	3,252	1,948	5,200	656,800	1,255,452	1,912,252
2027 - 2031	4,012	1,188	5,200	813,600	1,098,648	1,912,248
2032 - 2036	3,309	283	3,592	1,007,900	904,398	1,912,298
2037 - 2041	-	-	-	1,248,400	663,769	1,912,169
2042 - 2046	-	-	-	1,546,500	365,720	1,912,220
2047 - 2048	-	-	-	717,500	47,425	764,925
Total	<u>\$ 13,442</u>	<u>\$ 6,270</u>	<u>\$ 19,712</u>	<u>\$ 6,520,900</u>	<u>\$ 5,717,449</u>	<u>\$ 12,238,349</u>

Year Ending December 31,	Business-Type Activities			Business-Type Activities		
	OWDA Loans			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 167,671	\$ 24,098	\$ 191,769	\$ 46,572	\$ -	\$ 46,572
2018	171,017	20,752	191,769	46,572	-	46,572
2019	174,429	17,340	191,769	46,572	-	46,572
2020	177,910	13,859	191,769	46,572	-	46,572
2021	181,460	10,309	191,769	46,572	-	46,572
2022 - 2026	381,870	10,111	391,981	185,628	-	185,628
2027 - 2031	9,657	194	9,851	112,077	-	112,077
2032 - 2034	-	-	-	56,041	-	56,041
Total	<u>\$ 1,264,014</u>	<u>\$ 96,663</u>	<u>\$ 1,360,677</u>	<u>\$ 586,606</u>	<u>\$ -</u>	<u>\$ 586,606</u>

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 12 - LEASES**

The Village has entered into capital lease agreements for a street sweeper, police vehicles, vac truck and bucket truck. The street sweeper lease will be paid from the capital improvements capital projects fund, the vac truck lease will be paid from the sewer enterprise fund, and the bucket truck lease will be paid from the electric enterprise fund.

The following is a schedule of the future minimum leases payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2016:

Year Ending December 31,	Street Sweeper	Police Vehicles	Vac Truck	Bucket Truck
2017	\$ 15,390	\$ 31,315	\$ 64,794	\$ 45,945
2018	-	31,315	64,794	45,945
2019	-	-	64,794	45,945
2020	-	-	64,794	45,945
2021	-	-	64,794	-
2022	-	-	64,794	-
Total	<u>15,390</u>	<u>62,630</u>	<u>388,764</u>	<u>183,780</u>
Less: amount representing interest	<u>(417)</u>	<u>(3,978)</u>	<u>(44,211)</u>	<u>(12,261)</u>
Present value of net minimum lease payments	<u>\$ 14,973</u>	<u>\$ 58,652</u>	<u>\$ 344,553</u>	<u>\$ 171,519</u>

**NOTE 13 - 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 participants would be billed for the respective shares of the estimated shortfall. The Village's net investment in JV1 was \$9,206 at December 31, 2015 (the latest information available). Financial information for JV1 may be obtained from AMP, Inc., 2600 Airport Drive, Columbus, Ohio 43219.

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 14 - 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**

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's project share was 7,130 kilowatts (kW) of a total 771,281 kW, giving the Village a 0.92 percent project 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. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed *impaired* and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel. 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 of the impaired costs at March 31, 2014 was \$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, classified as Plant Held for Future Use (PHFU), leaving an estimated net impaired cost balance of \$693,873. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's net impaired cost balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014 the Village has made payments of \$92,516 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$12,424 and interest expense incurred on AMP's line-of-credit of \$19,270, resulting in a net impaired cost estimate at December 31, 2016 of \$633,051. The Village does have a potential PHFU Liability of \$331,666 resulting in a net total potential liability of \$964,717, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

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

**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 15 - FUND BALANCE**

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 resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Court Special General Projects	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Unclaimed monies	\$ 9,978	\$ -	\$ -	\$ 9,978
Total nonspendable	<u>9,978</u>	<u>-</u>	<u>-</u>	<u>9,978</u>
Restricted:				
Recreation	-	-	25,312	25,312
Public safety	-	521,087	523,319	1,044,406
Street maintenance	-	-	190,130	190,130
Enforcement and education	-	-	38,071	38,071
Community development	255	-	39,750	40,005
Capital improvements	-	-	180,667	180,667
Total restricted	<u>255</u>	<u>521,087</u>	<u>997,249</u>	<u>1,518,591</u>
Assigned:				
Purchases on order	16,687	-	-	16,687
Subsequent year appropriations	105,938	-	-	105,938
Total assigned	<u>122,625</u>	<u>-</u>	<u>-</u>	<u>122,625</u>
Unassigned	<u>387,881</u>	<u>-</u>	<u>-</u>	<u>387,881</u>
Total fund balances	<u>\$ 520,739</u>	<u>\$ 521,087</u>	<u>\$ 997,249</u>	<u>\$ 2,039,075</u>

**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 vendor in the next fiscal year were as follows:

<b>Governmental Funds:</b>		<b>Proprietary Funds</b>	
General	\$ 18,707	Water	\$ 61,461
Court Special General Projects	-	Sewer	48,836
Other Governmental	22,637	Electric	70,181
Total Governmental	<u>\$ 41,344</u>	Total Proprietary	<u>\$ 180,478</u>



**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 17 - CONTINGENCIES**

**A. Litigation**

The Village 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.

**B. Federal and State Grants**

The Village received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for disbursements disallowed under the terms of the grant. Based on prior experience, the Village believes such disallowances, if any, would be immaterial.

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# 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 Village of Newton Falls, Trumbull County, Ohio (the Village), as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated November 8, 2017.

### ***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 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies. We consider findings 2016-001 and 2016-002 to be significant deficiencies.

***Compliance and Other Matters***

As part of reasonably assuring whether the Entity'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*.

***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

November 8, 2017

VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016

1. **Integrated Accounting System**

<i>Finding Number</i>	2016-001
-----------------------	----------

SIGNIFICANT DEFICIENCY

Ohio Administrative Code Chapter 117-2-01 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 Village did not enter budgetary data for estimated receipts into their accounting system, nor could the Village provide other suitable documentation to demonstrate a process to review budgeted versus actual receipts. Failure to effectively monitor budgeted versus actual receipts can lead to decisions being made on faulty budgetary data which can lead to overspending and potential negative fund balances.

The Village should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system.

The Village should post the estimated receipts from the Official Certificate of Estimated Resources to the accounting system by the first of the year. Any amendments should be promptly posted to the system upon approval. This may help ensure correct budgetary information and Village decisions can be made on accurate data.

**Official's Response:** The Village recognizes that the expected revenue from the Official Certificate of Estimates Resources should be entered into the accounting software program. In the past, the previous fiscal officer would use an alternate documentation of the expected revenue and was not entered into the accounting software. The current fiscal officer in 2017 has corrected this concern by entering the expected revenue into the accounting software program.

2. **Bank to Book Reconciliations**

<i>Finding Number</i>	2016-002
-----------------------	----------

SIGNIFICANT DEFICIENCY

Ohio Administrative Code § 117-2-02 (B) specifies that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following assertions are achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it:

**Finding Number – 2016-002  
(Continued)**

- 1) Assertions about classes of transactions and events for the period under audit:
  - a) Occurrence: Transactions and events that have been recorded have occurred and pertain to the entity.
  - b) Completeness: All transactions and events that should have been recorded have been recorded.
  - c) Accuracy: Amounts and other data relating to recorded transactions and events have been recorded appropriately.
  - d) Cutoff: Transactions and events have been recorded in the correct accounting period.
  - e) Classification: Transactions and events have been recorded in the proper accounts.

The Village was not reconciled each month during 2016. The Village hired an independent public accounting firm to reconcile their book and bank balances. We noted the following when reviewing the December 31, 2016 reconciliation:

- There were ninety-seven checks totaling \$3,879 that were outstanding as far back as 2006.
- Memo checks totaling \$227.57 were added back to the book balance. However, the support only totaled \$226.42 and the amount should have been reduced from the book balance.
- Transfer differences totaling (\$638.90) should not have been on the reconciliation based on the supporting documentation.
- The outstanding deposits amount consisted of forty-five transactions. After reviewing the support, seven of those transactions should not have been on the listing. Some of the items on the listing go as far back as January of 2015.
- A reconciling amount of \$38,825 was included on the December bank reconciliation for outstanding payroll disbursements. The Village could not provide a detailed listing of the related outstanding payroll disbursements until October of 2017. We also noted the reconciliation contained twenty-six payroll checks ranging from \$1 to \$775 (and totaling \$1,822) that were outstanding as far back as 2005. The payroll outstanding checks list also contains an amount of \$358.69 but there is not a corresponding check number for the amount. This item has been on the Village's reconciliation since at least 2013

Based on the errors noted above, the Village was not reconciled at December 31, 2016. The book balance was short by \$717.30, when compared to the bank balance. The Village lacked adequate procedures over the reconciliation process to identify these errors.

The Village should take steps to help ensure all accounts are reconciled on a monthly basis and any unreconciled variances investigated and corrected in a timely manner. The Village should take steps to alleviate or adjust outstanding reconciling items older than one year. These outstanding checks could be placed in an unclaimed money fund. For any outstanding payroll checks, the Village should contact the payee/employee to resolve each matter. In addition, the monthly bank reconciliation should be included in the monthly financial reports submitted to Council for their review and approval.

**Official's Response:** The Village has contracted with an independent public accounting firm for assistance with the bank reconciliation process since the accounting software does not perform this function. The Village recognizes there are outstanding checks for the payroll process that goes back to 2005 and for the accounts payable general account the outstanding checks goes back to 2006. The Village has now identified these checks and will be moving those checks to unclaimed funds and will follow the Ohio Administrative Code 117-02-02 B to ensure book to bank reconciliations and internal controls will be in place for 2017.



**Village of Newton Falls  
 Finance Department  
 419 N. Center Street  
 Newton Falls, Ohio 44444**

**VILLAGE OF NEWTON FALLS  
 TRUMBULL COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 DECEMBER 31, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Integrate budgetary data into accounting system	Not Corrected	<p>The budgetary data was into accounting system for expenditures and monthly reports have been sent to Council and all Department Heads. The estimated receipts were not entered into the SSI accounting software.</p> <p>In 2017, the estimated revenue has been incorporated into the accounting software and this issue is now resolved.</p>

2015-002	Bank to book reconciliations	Not Corrected	<p>The Village's accounting software SSI does not perform a bank reconciliation report. This is done through excel accounting process and the Village has contracted with an independent public accounting firm Julian and Grube to develop the internal control bank to book reconciliations.</p> <p>The Village and independent contractor are establishing the best practices to resolve this issue. In addition, researching a new accounting software that performed the bank reconciliation program such as the Uniform Accounting Network (UAN).</p>
----------	------------------------------	---------------	---





# 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  
DECEMBER 19, 2017