



Dave Yost • Auditor of State



VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY  
DECEMBER 31, 2017

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Newton Falls  
Trumbull County  
19 North Canal Street  
Newton Falls, OH 44444

To the Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newton Falls, Trumbull County, (the Village) as of and for the year ended December 31, 2017, 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 such 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, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newton Falls, Trumbull County, Ohio, as of December 31, 2017, and the respective changes in cash financial position and the respective budgetary comparison for the General, Court Computerization, and Court Special General Projects funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Other Matters**

*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 them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



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

September 11, 2018

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017, 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 2017 are as follows:

- The total net position of the Village increased \$939,763. The net position of governmental activities increased \$387,738 or 18.38% from 2016 and the net position of business-type activities increased \$552,025 or 12.72% from 2016.
- General cash receipts accounted for \$1,447,311 or 52.89% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,289,015 or 47.11% of total governmental activities cash receipts.
- The Village had \$2,349,152 in cash disbursements related to governmental activities; \$1,289,015 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, court computerization and the court special general projects fund. The general fund had cash receipts and other financing sources of \$1,949,559 in 2017. The cash disbursements and other financing uses of the general fund totaled \$1,831,083 in 2017. The fund cash balance of the general fund increased \$118,476 from a balance of \$520,739 to a balance of \$639,215.
- The court computerization fund had cash receipts of \$75,453 in 2017. The cash disbursements of the court computerization fund totaled \$16,104 in 2017. The fund cash balance of the court computerization fund increased \$59,349 from \$309,973 to \$369,322.
- The court special general projects fund had cash receipts of \$113,590 in 2017. The cash disbursements of the court special general projects fund totaled \$3,869 in 2017. The fund cash balance of the court special general projects fund increased \$109,721 from \$521,087 to \$630,808.
- Net position for the business-type activities, which are composed of the water, sewer, electric and storm water (a nonmajor fund) enterprise funds, increased \$552,025 from \$4,338,642 to \$4,890,667.
- In the general fund, actual budgetary basis receipts totaled \$1,823,791 and actual budgetary basis disbursements and other uses totaled \$1,692,675.

**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, 2017

**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, court computerization 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 2017?" 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, 2017

***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, 2017

**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, 2017 and December 31, 2016.

	<b>Net Cash Position</b>					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2017 Total	2016 Total
	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 2,507,981	\$ 4,491,309	\$ 2,108,095	\$ 3,995,522	\$ 6,999,290	\$ 6,103,617
Restricted equity in pooled cash and cash equivalents	15,768	373,349	9,978	335,049	389,117	345,027
Internal balances	<u>(26,009)</u>	<u>26,009</u>	<u>(8,071)</u>	<u>8,071</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>2,497,740</u>	 <u>4,890,667</u>	 <u>2,110,002</u>	 <u>4,338,642</u>	 <u>7,388,407</u>	 <u>6,448,644</u>
 <u>Net cash position</u>						
Restricted	1,780,443	373,349	1,528,569	335,049	2,153,792	1,863,618
Unrestricted	<u>717,297</u>	<u>4,517,318</u>	<u>581,433</u>	<u>4,003,593</u>	<u>5,234,615</u>	<u>4,585,026</u>
 Total net cash position	 <u>\$ 2,497,740</u>	 <u>\$ 4,890,667</u>	 <u>\$ 2,110,002</u>	 <u>\$ 4,338,642</u>	 <u>\$ 7,388,407</u>	 <u>\$ 6,448,644</u>

The total net position of the Village increased \$939,763. Net position of the governmental activities increased \$387,738 or 18.38% from 2016, and the net position of business-type activities increased \$552,025 or 12.72% from 2016.

At December 31, 2017, a portion of the Village's net position, \$2,153,792, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$5,234,615 may be used to meet the government's ongoing obligations to citizens and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

The table below shows the changes in net position for 2017 and 2016.

	<b>Change in Net Cash Position</b>					
	Governmental	Business-type	Governmental	Business-type	2017	2016
	Activities	Activities	Activities	Activities	Total	Total
	2017	2017	2016	2016		
<b>Cash receipts:</b>						
Program receipts:						
Charges for services	\$ 975,795	\$ 8,554,033	\$ 967,982	\$ 8,425,759	\$ 9,529,828	\$ 9,393,741
Operating grants and contributions	313,220	-	292,803	-	313,220	292,803
Capital grants and contributions	-	13,248	-	85,137	13,248	85,137
<b>Total program receipts</b>	<b>1,289,015</b>	<b>8,567,281</b>	<b>1,260,785</b>	<b>8,510,896</b>	<b>9,856,296</b>	<b>9,771,681</b>
General receipts:						
Property taxes	370,136	-	369,115	-	370,136	369,115
Income taxes	765,392	-	908,562	-	765,392	908,562
Unrestricted grants and entitlements	105,389	-	156,411	-	105,389	156,411
Bond anticipation note issue	-	1,595,000	-	1,845,000	1,595,000	1,845,000
Investment earnings	128,894	-	97,687	-	128,894	97,687
Miscellaneous	77,500	65,057	35,564	58,407	142,557	93,971
<b>Total general receipts</b>	<b>1,447,311</b>	<b>1,660,057</b>	<b>1,567,339</b>	<b>1,903,407</b>	<b>3,107,368</b>	<b>3,470,746</b>
<b>Total cash receipts</b>	<b>2,736,326</b>	<b>10,227,338</b>	<b>2,828,124</b>	<b>10,414,303</b>	<b>12,963,664</b>	<b>13,242,427</b>
<b>Cash disbursements:</b>						
General government	1,099,092	-	1,172,657	-	1,099,092	1,172,657
Security of persons and property	677,681	-	658,421	-	677,681	658,421
Leisure time activity	11,848	-	79,706	-	11,848	79,706
Community environment	26,222	-	18,616	-	26,222	18,616
Transportation	401,443	-	478,163	-	401,443	478,163
Capital outlay	71,928	-	77,636	-	71,928	77,636
Debt service:						
Principal retirement	56,832	-	46,111	-	56,832	46,111
Interest and fiscal charges	4,106	-	1,114	-	4,106	1,114
Water	-	1,532,391	-	1,653,552	1,532,391	1,653,552
Sewer	-	1,237,441	-	1,340,968	1,237,441	1,340,968
Electric	-	6,904,318	-	6,915,436	6,904,318	6,915,436
Stormwater utility	-	1,163	-	1,343	1,163	1,343
<b>Total cash disbursements</b>	<b>2,349,152</b>	<b>9,675,313</b>	<b>2,532,424</b>	<b>9,911,299</b>	<b>12,024,465</b>	<b>12,443,723</b>
Increase in net cash position before advances	387,174	552,025	295,700	503,004	939,199	798,704
Advances	564	-	(564)	-	564	(564)
<b>Change in net cash position</b>	<b>387,738</b>	<b>552,025</b>	<b>295,136</b>	<b>503,004</b>	<b>939,763</b>	<b>798,140</b>
Net cash position at beginning of year	2,110,002	4,338,642	1,814,866	3,835,638	6,448,644	5,650,504
<b>Net cash position at end of year</b>	<b>\$ 2,497,740</b>	<b>\$ 4,890,667</b>	<b>\$ 2,110,002</b>	<b>\$ 4,338,642</b>	<b>\$ 7,388,407</b>	<b>\$ 6,448,644</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**Governmental Activities**

Governmental activities net position increased \$387,738 in 2017. This is the result of receipts outpacing disbursements, despite decreased receipts and increased disbursements in 2017 as compared to 2016.

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 \$1,099,092. General government cash disbursements were partially funded by \$402,102 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 \$677,681 during 2017, accounting for 28.85% of total governmental activities cash disbursements. Security of persons and property cash disbursements were partially funded by direct charges to users of \$365,687 and operating grants and contributions of \$44,106.

Leisure time activities represents are the costs of maintaining the parks and playing fields. Leisure time activity cash disbursements of \$11,848 were funded by \$689 in direct charges to users.

Community environment the costs associated with the code enforcement officer. Community environment cash disbursements of \$26,222 were funded by \$18,318 in direct charges to users.

Transportation represents the cost of maintaining the Village streets. Transportation cash disbursements of \$401,443 were partially funded by direct charges to users of \$176 and operating grants and contributions of \$203,739.

The State and federal government contributed to the Village a total of \$313,220 in operating grants and contributions. These program cash receipts are restricted to a particular program or purpose. Of the total operating grants and contributions, \$203,739 subsidized transportation programs.

General cash receipts totaled \$1,447,311 and amounted to 52.89% of total governmental cash receipts. These cash receipts primarily consist of property and income tax receipts of \$1,135,528. 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 2017, a result of fewer withholdings collected from individuals.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 2017.

	<b>Governmental Activities</b>			
	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
<b>Cash disbursements:</b>				
General government	\$ 1,099,092	\$ 631,615	\$ 1,172,657	\$ 694,293
Security of persons and property	677,681	267,888	658,421	316,416
Leisure time activity	11,848	11,159	79,706	78,425
Community environment	26,222	7,904	18,616	8,339
Transportation	401,443	197,528	478,163	247,453
Capital outlay	71,928	(116,895)	77,636	(120,512)
Debt service:				
Principal retirement	56,832	56,832	46,111	46,111
Interest and fiscal charges	4,106	4,106	1,114	1,114
	<u>4,106</u>	<u>4,106</u>	<u>1,114</u>	<u>1,114</u>
<b>Total</b>	<u>\$ 2,349,152</u>	<u>\$ 1,060,137</u>	<u>\$ 2,532,424</u>	<u>\$ 1,271,639</u>

The dependence upon general cash receipts for governmental activities is apparent, with 45.13% 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 \$8,567,281, general cash receipts of \$1,660,057 and cash disbursements of \$9,675,313 during 2017. The net position of these programs increased \$552,025 from 2016.

**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 \$2,403,635, which is \$364,560 greater than last year's total of \$2,039,075.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

The schedule below indicates the fund cash balances and the total change in fund cash balances as of December 31, 2017, and December 31, 2016 for all major and nonmajor governmental funds.

	Fund Cash Balances <u>12/31/2017</u>	Fund Cash Balances <u>12/31/2016</u>	<u>Change</u>
Major funds:			
General	\$ 639,215	\$ 520,739	\$ 118,476
Court Computerization	369,322	309,973	59,349
Court Special General Projects	630,808	521,087	109,721
Nonmajor governmental funds	<u>764,290</u>	<u>687,276</u>	<u>77,014</u>
Total	<u>\$ 2,403,635</u>	<u>\$ 2,039,075</u>	<u>\$ 364,560</u>

**General Fund**

The Village's general fund cash balance increased \$118,476. The table that follows assists in illustrating the cash receipts of the general fund for 2017 and 2016.

	<u>2017 Amount</u>	<u>2016 Amount</u>	<u>Amount Change</u>	<u>Percentage Change</u>
<b><u>Cash receipts:</u></b>				
Taxes	\$ 910,366	\$ 1,043,709	\$ (133,343)	(12.78) %
Intergovernmental	105,389	156,411	(51,022)	(32.62) %
Charges for services	8,488	9,748	(1,260)	(12.93) %
Fines, licenses and permits	730,522	725,711	4,811	0.66 %
Investment income	128,894	97,687	31,207	31.95 %
Miscellaneous	<u>62,736</u>	<u>23,270</u>	<u>39,466</u>	169.60 %
Total	<u>\$ 1,946,395</u>	<u>\$ 2,056,536</u>	<u>\$ (110,141)</u>	(5.36) %

Overall, cash receipts of the general fund decreased \$110,141 or 5.36%. Taxes decreased, a result of fewer income taxes collected during 2017 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 decreased \$51,022 or 32.62% primarily due to a decrease in state grants and subsidies. Investment income increased \$31,207 or 31.95% primarily due to increasing interest rates. Other cash receipts increased \$39,466 due to an increase of reimbursements in 2017.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

The table that follows assists in illustrating the cash disbursements of the general fund for 2017 and 2016.

	2017 Amount	2016 Amount	Amount Change	Percentage Change
<b><u>Cash disbursements:</u></b>				
General government	\$ 1,048,767	\$ 1,183,213	\$ (134,446)	(11.36) %
Security of persons and property	661,113	648,307	12,806	1.98 %
Community environment	26,222	18,616	7,606	40.86 %
Total	<u>\$ 1,736,102</u>	<u>\$ 1,850,136</u>	<u>\$ (114,034)</u>	(6.16) %

Overall, cash disbursements of the general fund decreased \$114,034, or 6.16%, due to an overall decrease in salaries and fringe benefits.

***Court Computerization Fund***

The court computerization fund had cash receipts of \$75,453 in 2017. The cash disbursements of the court computerization fund totaled \$16,104 in 2017. The fund cash balance of the court computerization fund increased \$59,349 from \$309,973 to \$369,322.

***Court Special General Projects Fund***

The court special general projects fund had cash receipts of \$113,590 in 2017. The cash disbursements of the court special general projects fund totaled \$3,869 in 2017. The fund cash balance of the court special general projects fund increased \$109,721 from \$521,087 to \$630,808.

***Proprietary Funds***

***Major Enterprise Funds***

The water fund had total operating receipts of \$1,749,514, total operating disbursements of \$1,315,223, total nonoperating disbursements of \$226,202, and capital contributions of \$13,248. Net position increased by \$221,337.

The sewer fund had total operating receipts of \$1,356,639, total operating disbursements of \$847,222, and total nonoperating disbursements of \$394,622. Net position increased by \$114,795.

The electric fund had total operating receipts of \$5,427,911, total operating disbursements of \$4,988,003, total nonoperating receipts of \$1,595,000 and total nonoperating disbursements of \$1,920,816. Net position increased by \$114,092. The Village issued and retired a bond anticipation note in the amount of \$1,595,000 and \$1,845,000, 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

Budgetary information is presented in the Village's financial statements for the general fund and the court computerization and court special general projects major special revenue funds. In the general fund, actual budgetary basis receipts totaled \$1,823,791 and actual budgetary basis disbursements and other uses totaled \$1,692,675.

**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 \$71,928 in the governmental activities and \$113,386 in the business-type activities during 2017.

*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, 2017 and December 31, 2016.

	Governmental Activities	
	2017	2016
Capital lease	\$ 30,235	\$ 73,625
Ohio police pension	-	13,442
Total long-term obligations	\$ 30,235	\$ 87,067
	Business-type Activities	
	2017	2016
Mortgage revenue bonds	\$ 6,423,700	\$ 6,520,900
OWDA loans	1,096,343	1,264,014
OPWC loans	540,034	586,606
Electric system bond anticipation notes	1,595,000	1,845,000
Capital lease	422,444	463,552
Total long-term obligations	\$ 10,077,521	\$ 10,680,072

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, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 2,507,981	\$ 4,491,309	\$ 6,999,290
Restricted equity in pooled cash and cash equivalents . . . . .	15,768	373,349	389,117
Internal balances . . . . .	<u>(26,009)</u>	<u>26,009</u>	<u>-</u>
Total assets . . . . .	<u>2,497,740</u>	<u>4,890,667</u>	<u>7,388,407</u>
 <b>Net position:</b>			
Restricted for:			
Debt service . . . . .	-	373,349	373,349
Unclaimed monies. . . . .	15,768	-	15,768
Recreation. . . . .	24,235	-	24,235
Public safety . . . . .	1,264,105	-	1,264,105
Street maintenance. . . . .	255,126	-	255,126
Enforcement and education . . . . .	43,128	-	43,128
Community development. . . . .	56,777	-	56,777
Capital improvements . . . . .	121,304	-	121,304
Unrestricted. . . . .	<u>717,297</u>	<u>4,517,318</u>	<u>5,234,615</u>
Total net position . . . . .	<u>\$ 2,497,740</u>	<u>\$ 4,890,667</u>	<u>\$ 7,388,407</u>

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, 2017

	<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 . . . . .	\$ 1,099,092	\$ 402,102	\$ 65,375	\$ -
Security of persons and property . . .	677,681	365,687	44,106	-
Leisure time activities . . . . .	11,848	689	-	-
Community environment . . . . .	26,222	18,318	-	-
Transportation . . . . .	401,443	176	203,739	-
Capital outlay . . . . .	71,928	188,823	-	-
Principal retirement . . . . .	56,832	-	-	-
Interest and fiscal charges . . . . .	4,106	-	-	-
<b>Total governmental activities . . . . .</b>	<b>2,349,152</b>	<b>975,795</b>	<b>313,220</b>	<b>-</b>
<b>Business-type activities:</b>				
Water . . . . .	1,532,391	1,739,654	-	13,248
Sewer . . . . .	1,237,441	1,354,664	-	-
Electric . . . . .	6,904,318	5,374,689	-	-
Storm water . . . . .	1,163	85,026	-	-
<b>Total business-type activities . . . . .</b>	<b>9,675,313</b>	<b>8,554,033</b>	<b>-</b>	<b>13,248</b>
<b>Total primary government . . . . .</b>	<b>\$ 12,024,465</b>	<b>\$ 9,529,828</b>	<b>\$ 313,220</b>	<b>\$ 13,248</b>

**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 . . . . .

Total general revenues,  
 transfers and extraordinary items . . . . .

Change in net position . . . . .

**Net position at beginning of year . . . . .**

**Net position at end of year . . . . .**

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>
\$ (631,615)	\$ -	\$ (631,615)
(267,888)	-	(267,888)
(11,159)	-	(11,159)
(7,904)	-	(7,904)
(197,528)	-	(197,528)
116,895	-	116,895
(56,832)	-	(56,832)
(4,106)	-	(4,106)
<u>(1,060,137)</u>	<u>-</u>	<u>(1,060,137)</u>
-	220,511	220,511
-	117,223	117,223
-	(1,529,629)	(1,529,629)
-	83,863	83,863
<u>-</u>	<u>(1,108,032)</u>	<u>(1,108,032)</u>
<u>(1,060,137)</u>	<u>(1,108,032)</u>	<u>(2,168,169)</u>
262,605	-	262,605
91,708	-	91,708
15,823	-	15,823
647,761	-	647,761
68,618	-	68,618
9,803	-	9,803
39,210	-	39,210
105,389	-	105,389
-	1,595,000	1,595,000
128,894	-	128,894
77,500	65,057	142,557
<u>1,447,311</u>	<u>1,660,057</u>	<u>3,107,368</u>
<u>564</u>	<u>-</u>	<u>564</u>
<u>1,447,875</u>	<u>1,660,057</u>	<u>3,107,932</u>
387,738	552,025	939,763
<u>2,110,002</u>	<u>4,338,642</u>	<u>6,448,644</u>
<u>\$ 2,497,740</u>	<u>\$ 4,890,667</u>	<u>\$ 7,388,407</u>

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

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017

	<b>General</b>	<b>Court Computerization</b>	<b>Court Special General Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 623,447	\$ 369,322	\$ 630,808	\$ 764,290	\$ 2,387,867
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	15,768	-	-	-	15,768
Total assets . . . . .	639,215	369,322	630,808	764,290	2,403,635
<b>Fund balances:</b>					
Nonspendable . . . . .	15,768	-	-	-	15,768
Restricted. . . . .	255	369,322	630,808	764,290	1,764,675
Assigned . . . . .	304,030	-	-	-	304,030
Unassigned . . . . .	319,162	-	-	-	319,162
Total fund balances. . . . .	\$ 639,215	\$ 369,322	\$ 630,808	\$ 764,290	\$ 2,403,635

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, 2017

<b>Total governmental fund balances</b>	\$	2,403,635
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*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	120,114	
Internal balances	<u>(26,009)</u>	
Total		<u>94,105</u>

<b>Net position of governmental activities</b>	\$	<u><u>2,497,740</u></u>
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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, 2017

	<u>General</u>	<u>Court Computerization</u>	<u>Court Special General Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>					
Property and other local taxes. . . .	\$ 262,605	\$ -	\$ -	\$ 107,531	\$ 370,136
Municipal income taxes. . . . .	647,761	-	-	117,631	765,392
Intergovernmental. . . . .	105,389	-	-	308,220	413,609
Charges for services. . . . .	8,488	-	-	19,183	27,671
Fines, licenses and permits . . . . .	730,522	75,233	113,590	28,779	948,124
Investment earnings. . . . .	128,894	-	-	-	128,894
Miscellaneous. . . . .	62,736	220	-	16,944	79,900
Total receipts . . . . .	<u>1,946,395</u>	<u>75,453</u>	<u>113,590</u>	<u>598,288</u>	<u>2,733,726</u>
<b>Disbursements:</b>					
Current:					
General government . . . . .	1,048,767	-	-	65,991	1,114,758
Security of persons and property . . . . .	661,113	-	-	20,465	681,578
Leisure time activities. . . . .	-	-	-	11,848	11,848
Community environment . . . . .	26,222	-	-	-	26,222
Transportation . . . . .	-	-	-	405,058	405,058
Capital outlay . . . . .	-	16,104	3,869	51,955	71,928
Debt service:					
Principal retirement. . . . .	-	-	-	56,832	56,832
Interest and fiscal charges. . . . .	-	-	-	4,106	4,106
Total disbursements . . . . .	<u>1,736,102</u>	<u>16,104</u>	<u>3,869</u>	<u>616,255</u>	<u>2,372,330</u>
Excess (deficiency) of receipts over (under) disbursements. . . . .	<u>210,293</u>	<u>59,349</u>	<u>109,721</u>	<u>(17,967)</u>	<u>361,396</u>
<b>Other financing sources (uses):</b>					
Sale of assets. . . . .	2,600	-	-	-	2,600
Advances in . . . . .	564	-	-	-	564
Transfers in . . . . .	-	-	-	94,981	94,981
Transfers (out). . . . .	<u>(94,981)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,981)</u>
Total other financing sources (uses) . . . . .	<u>(91,817)</u>	<u>-</u>	<u>-</u>	<u>94,981</u>	<u>3,164</u>
Net change in fund balances . . . . .	118,476	59,349	109,721	77,014	364,560
<b>Fund balances at beginning of year . . . . .</b>	<u>520,739</u>	<u>309,973</u>	<u>521,087</u>	<u>687,276</u>	<u>2,039,075</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 639,215</u>	<u>\$ 369,322</u>	<u>\$ 630,808</u>	<u>\$ 764,290</u>	<u>\$ 2,403,635</u>

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, 2017

<b>Net change in fund balances - total governmental funds</b>	\$	364,560
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 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:		
Change in net position		41,116
Change in internal balances		(17,938)
Total		23,178
 <b>Change in net position of governmental activities</b>	 \$	 387,738

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, 2017

	<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 . . . . .	\$ 240,403	\$ 264,226	\$ 262,605	\$ (1,621)
Municipal income taxes . . . . .	490,571	539,184	535,876	(3,308)
Intergovernmental. . . . .	96,479	106,039	105,389	(650)
Charges for services. . . . .	7,770	8,540	8,488	(52)
Fines, licenses and permits . . . . .	668,761	735,031	730,522	(4,509)
Investment earnings . . . . .	117,997	129,689	128,894	(795)
Miscellaneous . . . . .	44,723	49,154	48,853	(301)
Total receipts . . . . .	<u>1,666,704</u>	<u>1,831,863</u>	<u>1,820,627</u>	<u>(11,236)</u>
<b>Disbursements:</b>				
Current:				
General government . . . . .	901,804	1,090,876	910,359	180,517
Security of persons and property . . . . .	621,618	766,123	661,113	105,010
Community environment . . . . .	29,715	36,623	26,222	10,401
Total disbursements. . . . .	<u>1,553,137</u>	<u>1,893,622</u>	<u>1,597,694</u>	<u>295,928</u>
Excess (deficiency) of receipts over (under) disbursements . . . . .	<u>113,567</u>	<u>(61,759)</u>	<u>222,933</u>	<u>284,692</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	2,380	2,616	2,600	(16)
Advances in . . . . .	516	567	564	(3)
Transfers (out). . . . .	(239,087)	(294,667)	(94,981)	199,686
Total other financing sources (uses) . . . . .	<u>(236,191)</u>	<u>(291,484)</u>	<u>(91,817)</u>	<u>199,667</u>
Net change in fund balances . . . . .	(122,624)	(353,243)	131,116	484,359
<b>Fund balances at beginning of year . . . . .</b>	483,537	483,537	483,537	-
<b>Prior year encumbrances appropriated . . . . .</b>	16,687	16,687	16,687	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 377,600</u>	<u>\$ 146,981</u>	<u>\$ 631,340</u>	<u>\$ 484,359</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 COMPUTERIZATION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<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 . . . . .	\$ 49,854	\$ 75,233	\$ 75,233	\$ -
Other . . . . .	146	220	220	-
Total receipts . . . . .	<u>50,000</u>	<u>75,453</u>	<u>75,453</u>	<u>-</u>
<b>Disbursements:</b>				
Capital outlay . . . . .	150,089	150,089	16,104	133,985
Total expenditures . . . . .	<u>150,089</u>	<u>150,089</u>	<u>16,104</u>	<u>133,985</u>
Net change in fund balances . . . . .	(100,089)	(74,636)	59,349	133,985
<b>Fund balances at beginning of year . . . . .</b>	309,884	309,884	309,884	-
<b>Prior year encumbrances appropriated . . . . .</b>	89	89	89	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 209,884</u>	<u>\$ 235,337</u>	<u>\$ 369,322</u>	<u>\$ 133,985</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, 2017

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Fines, licenses and permits . . . . .	\$ 75,000	\$ 113,590	\$ 113,590	\$ -
Total receipts . . . . .	<u>75,000</u>	<u>113,590</u>	<u>113,590</u>	<u>-</u>
<b>Disbursements:</b>				
Capital outlay . . . . .	250,000	250,000	13,018	236,982
Total expenditures . . . . .	<u>250,000</u>	<u>250,000</u>	<u>13,018</u>	<u>236,982</u>
Net change in fund balances . . . . .	(175,000)	(136,410)	100,572	236,982
<b>Fund balances at beginning of year . . . . .</b>	<u>521,087</u>	<u>521,087</u>	<u>521,087</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 346,087</u>	<u>\$ 384,677</u>	<u>\$ 621,659</u>	<u>\$ 236,982</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2017

	<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>Assets:</b>					
Equity in pooled cash and and cash equivalents . . . . .	\$ 1,657,747	\$ 892,728	\$ 1,765,282	\$ 175,552	\$ 4,491,309
Restricted assets:					
Equity in pooled cash and and cash equivalents . . . . .	-	373,349	-	-	373,349
Total assets. . . . .	1,657,747	1,266,077	1,765,282	175,552	4,864,658
<b>Net Position:</b>					
Restricted for debt service . . . . .	-	373,349	-	-	373,349
Unrestricted . . . . .	1,657,747	892,728	1,765,282	175,552	4,491,309
Total net position. . . . .	\$ 1,657,747	\$ 1,266,077	\$ 1,765,282	\$ 175,552	4,864,658
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.					26,009
Net position of business-type activities					\$ 4,890,667

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Governmental  
Activities**

---

**Internal  
Service Fund**

---

\$ 120,114

-

---

120,114

---

-

120,114

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\$ 120,114

**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, 2017

	<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 . . . . .	\$ 1,739,654	\$ 1,354,664	\$ 5,374,689	\$ 85,026	\$ 8,554,033
Miscellaneous . . . . .	9,860	1,975	53,222	-	65,057
<b>Total operating receipts . . . . .</b>	<b>1,749,514</b>	<b>1,356,639</b>	<b>5,427,911</b>	<b>85,026</b>	<b>8,619,090</b>
<b>Operating disbursements</b>					
Personal services . . . . .	816,331	459,122	518,702	-	1,794,155
Travel and transportation . . . . .	746	395	4,278	-	5,419
Contractual services. . . . .	252,499	275,346	4,279,696	227	4,807,768
Materials and supplies. . . . .	178,275	65,827	140,516	-	384,618
Claims. . . . .	-	-	-	-	-
Other . . . . .	-	45,340	913	12	46,265
Capital outlay . . . . .	67,372	1,192	43,898	924	113,386
<b>Total operating disbursements. . . . .</b>	<b>1,315,223</b>	<b>847,222</b>	<b>4,988,003</b>	<b>1,163</b>	<b>7,151,611</b>
<b>Operating income . . . . .</b>	<b>434,291</b>	<b>509,417</b>	<b>439,908</b>	<b>83,863</b>	<b>1,467,479</b>
<b>Nonoperating receipts (disbursements):</b>					
Principal retirement . . . . .	(202,452)	(108,991)	(1,886,108)	-	(2,197,551)
Interest and fiscal charges . . . . .	(23,750)	(285,631)	(19,952)	-	(329,333)
Bond anticipation note issuance . . . . .	-	-	1,595,000	-	1,595,000
Bond issuance costs. . . . .	-	-	(14,756)	-	(14,756)
<b>Total nonoperating receipts (disbursements) . . . . .</b>	<b>(226,202)</b>	<b>(394,622)</b>	<b>(325,816)</b>	<b>-</b>	<b>(946,640)</b>
<b>Income before capital contributions. . . . .</b>	<b>208,089</b>	<b>114,795</b>	<b>114,092</b>	<b>83,863</b>	<b>520,839</b>
<b>Capital contributions . . . . .</b>	<b>13,248</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,248</b>
<b>Change in net position . . . . .</b>	<b>221,337</b>	<b>114,795</b>	<b>114,092</b>	<b>83,863</b>	<b>534,087</b>
<b>Net position at beginning of year . . . . .</b>	<b>1,436,410</b>	<b>1,151,282</b>	<b>1,651,190</b>	<b>91,689</b>	
<b>Net position at end of year . . . . .</b>	<b>\$ 1,657,747</b>	<b>\$ 1,266,077</b>	<b>\$ 1,765,282</b>	<b>\$ 175,552</b>	
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.					17,938
Change in net position of business-type activities.					<u>\$ 552,025</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Governmental  
Activities**

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**Internal  
Service Fund**

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\$ 886,932  
37,794

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924,726

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-  
-  
-  
-  
883,610  
-  
-

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883,610

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41,116

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-  
-  
-  
-

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41,116

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-

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41,116

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78,998

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\$ 120,114

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2017

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 244,492
Cash and cash equivalents in segregated accounts . . . .	<u>8,397</u>
Total assets. . . . .	<u>\$ 252,889</u>
<b>Liabilities:</b>	
Deposits held and due to others. . . . .	<u>\$ 252,889</u>

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, 2017**

**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, 2017

**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, 2017

**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 Computerization Fund - The special revenue fund accounts for and reports the portion of restricted court costs received the Village restricted for computerization and use of computerized legal research for the operations of the Newton Falls Municipal Court.

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 Village accounts for storm water utility.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

*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’ jointly self-insured cooperative for insurance programs and employee medical benefits.

*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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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.

**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 2017, 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 2017 amounted to \$128,894, which includes \$118,685 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

**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.

**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. 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.

**M. 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).

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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.

**N. 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.

**O. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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.

**P. 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.

**Q. 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 2017.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For 2017, the Village has implemented GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*", GASB Statement No. 81 "*Irrevocable Split-Interest Agreements*", and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*".

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Village.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Village.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the Village.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**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 major special revenue funds 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, 2017, the encumbrances outstanding at year end (budgetary basis) amounted to \$709 for the general fund, \$0 for the court computerization fund, and \$9,189 for the court special general projects fund. At December 31, 2017, funds included as part of the general fund (cash basis) had a total fund balance of \$7,166.

**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;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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.

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 \$8,397 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, 2017, the carrying amount of all Village deposits was \$1,733,108. Of the Village's \$1,900,706 bank balance, \$1,332,134 was covered by the FDIC and \$568,572 was covered by the Ohio Pooled Collateral System (OPCS).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Custodial credit risk is the risk that, in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Village has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Village and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. Financial institutions which have received an extension (the “grace period”) from the Ohio Treasurer of State to participate in the OPCS beyond December 31, 2017 may also pledge a single pool of eligible securities to secure the repayment of all public moneys deposited in the institution and not otherwise secured pursuant to law, provided that at all times the total market value of the securities so pledged is at least equal to 105% of the total amount of all public deposits to be secured by the pooled securities that are not covered by any federal deposit insurance. For 2017, certain Village financial institutions participated in the OPCS, and some did not participate in the OPCS because they received an extension of time to participate.

**C. Investments**

Investments are reported at cost in accordance with the cash basis of accounting. As of December 31, 2017, the Village had the following investments:

<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	\$ 3,937,190	\$ 3,855,270	Daily	n/a	66.73%
Taxable bonds & notes	1,892,731	1,900,263	Five Years +	AA+ - BBB	31.95%
Asset backed securities	<u>78,267</u>	<u>78,291</u>	Five Years +	n/a	1.32%
Total	<u>\$ 5,908,188</u>	<u>\$ 5,833,824</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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**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. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 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.

The full tax rate for all Village operations for the year ended December 31, 2017 was \$2.50 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2017 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 41,166,670
Commercial/industrial	15,453,920
<u>Public utility</u>	
Personal	<u>1,024,060</u>
Total assessed value	<u><u>\$ 57,644,650</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 2017. 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 2017, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**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 2017, the Village contracted with the Ohio Municipal Joint Self-Insurance Pool for various types of insurance coverage as follows on the next page.

	<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 aggregate 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
Cyber Liability	5,000,000	-

There has been no significant reduction in insurance coverage from 2016 and no insurance settlement has exceeded insurance coverage during the last three years.

**B. Employee Health Benefits**

The Village was a member of a jointly self-insured cooperative called Ohio Public Entity Consortium (OPEC-HC). OPEC-HC operated as a council of governments. The program involved several vendors and companies including Jefferson Health Plan (administrator, January 1, 2017 - June 30, 2017), Medical Mutual of Ohio (network and claims processor, January 1, 2017 - June 30, 2017), Benovation (third party administrator, July 1, 2017 - December 31, 2017), and Ohio Insurance Services (broker, January 1, 2017 - December 31, 2017). The group worked with Ohio Insurance Services to manage a Health Reimbursement Account (HRA). The members had a \$5,000 deductible (\$10,000 family maximum) and the group's HRA reimbursed \$4,900 (\$9,800 family maximum).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

**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 2017, the general fund transferred \$94,981 to the street construction, maintenance and repair fund (a nonmajor governmental fund), to provide additional operating costs per the budget.

During 2017, the fire/township fuel agency fund advanced \$564 back to the general fund.

**NOTE 9 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - Village employees, other than full-time police, 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 Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension 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 Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

<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.

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 3.00% 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 2.25%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0 %
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 for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$234,695 for 2017.



**VILLAGE OF NEWTON FALLS  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

Plan Description - Village full-time police participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F 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 OP&F may retire and receive a lifetime monthly pension. OP&F 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.

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 after 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 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

	Police
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	19.50 %
Employee	12.25 %
 <b>2017 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 OP&F was \$42,143 for 2017.

**NOTE 10 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. 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.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 10 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2017, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2017 was 1.00%.

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

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$18,053, \$37,293, and \$38,168, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

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

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

OP&F provides access to post-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 health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

OP&F issues a publicly available financial report that includes financial 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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 10 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

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. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2017 thru December 31, 2017. 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 healthcare benefits for police officers for the years ended December 31, 2017, 2016 and 2015, were \$1,107, \$1,119 and \$1,164, respectively. For 2017, 84.84% has been contributed. 100% has been contributed for 2016 and 2015.

**VILLAGE OF NEWTON FALLS  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**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	2017
<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	1,595,000	2018

The Village's long-term obligations activity for the year ended December 31, 2017, was as follows:

	<u>Balance Outstanding 12/31/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 12/31/17</u>	<u>Amount Due in One Year</u>
<b>Governmental activities:</b>					
Capital Lease	\$ 73,625	\$ -	\$ (43,390)	\$ 30,235	\$ 30,235
Ohio Police Pension	13,442	-	(13,442)	-	-
Total governmental activities	<u>\$ 87,067</u>	<u>\$ -</u>	<u>\$ (56,832)</u>	<u>\$ 30,235</u>	<u>\$ 30,235</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

	Balance Outstanding <u>12/31/16</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>12/31/17</u>	Amount Due in <u>One Year</u>
<b>Business-type activities:</b>					
<i>Mortgage Revenue Bonds</i>					
Series A	\$ 4,514,100	\$ -	\$ (67,300)	\$ 4,446,800	\$ 70,200
Series B	<u>2,006,800</u>	-	<u>(29,900)</u>	<u>1,976,900</u>	<u>31,200</u>
Total Mortgage Revenue Bonds	<u>6,520,900</u>	-	<u>(97,200)</u>	<u>6,423,700</u>	<u>101,400</u>
<i>OWDA Loans</i>					
Warren Avenue Combined					
Sewer Separation	35,458	-	(2,466)	32,992	2,491
Water Treatment Plant Improvements	<u>1,228,556</u>	-	<u>(165,205)</u>	<u>1,063,351</u>	<u>168,526</u>
Total OWDA Loans	<u>1,264,014</u>	-	<u>(167,671)</u>	<u>1,096,343</u>	<u>171,017</u>
<i>OPWC Loans</i>					
Broad Street Water Distribution	101,385	-	(12,673)	88,712	12,673
Broad Street Storm Water	74,596	-	(9,325)	65,271	9,325
Water Main Valve Replacement	18,356	-	(2,159)	16,197	2,159
Elevated Water Storage					
Tank Rehabilitation	<u>392,269</u>	-	<u>(22,415)</u>	<u>369,854</u>	<u>22,415</u>
Total OPWC Loans	<u>586,606</u>	-	<u>(46,572)</u>	<u>540,034</u>	<u>46,572</u>
<i>Bond Anticipation Notes</i>					
Electric System	<u>1,845,000</u>	<u>1,595,000</u>	<u>(1,845,000)</u>	<u>1,595,000</u>	<u>1,595,000</u>
Capital Lease	<u>463,552</u>	-	<u>(41,108)</u>	<u>422,444</u>	<u>96,658</u>
Total Business-Type Activities	<u>\$ 10,680,072</u>	<u>\$ 1,595,000</u>	<u>\$ (2,197,551)</u>	<u>\$ 10,077,521</u>	<u>\$ 2,010,647</u>

The Ohio police pension liability was paid in full during 2017 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, 2017

**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 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. On June 22, 2017, the Village renewed this bond anticipation note for \$1,595,000 payable at a rate of 2.00 percent. This issuance matures on June 21, 2018.

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, 2017, 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 \$373,349 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 2.39 percent of net revenues. The total principal remaining to be paid on the debt is \$98,263. Principal paid for the current year and total net revenues were \$11,791 and \$507,545, 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 52.40 percent of net revenues. The total principal remaining to be paid on the debt is \$1,538,114. Principal paid for the current year and total net revenues were \$202,452 and \$431,715, respectively.

The Village's overall legal debt margin was \$6,052,688 with an unvoted debt margin of \$3,170,456 at December 31, 2017.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2017 are as follows:

Year Ending December 31,	Business-Type Activities		
	Mortgage Revenue Bonds		
	Principal	Interest	Total
2018	\$ 101,400	\$ 281,037	\$ 382,437
2019	105,800	276,600	382,400
2020	110,500	271,972	382,472
2021	115,300	267,138	382,438
2022	120,400	262,094	382,494
2023 - 2027	685,500	1,226,717	1,912,217
2028 - 2032	849,200	1,063,053	1,912,253
2033 - 2037	1,052,000	860,301	1,912,301
2038 - 2042	1,303,000	609,152	1,912,152
2043 - 2047	1,614,100	298,061	1,912,161
2048	366,500	16,034	382,534
Total	<u>\$ 6,423,700</u>	<u>\$ 5,432,159</u>	<u>\$ 11,855,859</u>

Year Ending December 31,	Business-Type Activities			Business-Type Activities		
	OWDA Loans			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 171,017	\$ 20,752	\$ 191,769	\$ 46,572	\$ -	\$ 46,572
2019	174,429	17,340	191,769	46,574	-	46,574
2020	177,910	13,859	191,769	46,571	-	46,571
2021	181,460	10,309	191,769	46,572	-	46,572
2022	185,082	6,687	191,769	46,575	-	46,575
2023 - 2027	199,514	3,514	203,028	161,469	-	161,469
2028 - 2032	6,931	104	7,035	112,077	-	112,077
2033 - 2034	-	-	-	33,624	-	33,624
Total	<u>\$ 1,096,343</u>	<u>\$ 72,565</u>	<u>\$ 1,168,908</u>	<u>\$ 540,034</u>	<u>\$ -</u>	<u>\$ 540,034</u>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**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 was paid from the capital improvements capital projects fund (this lease was retired during 2017), the police vehicle lease was 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, 2017:

Year Ending December 31,	Police Vehicles	Vac Truck	Bucket Truck
2018	\$ 31,593	\$ 64,794	\$ 45,945
2019	-	64,794	45,945
2020	-	64,794	45,945
2021	-	64,794	-
2022	-	64,794	-
Total	<u>31,593</u>	<u>323,970</u>	<u>137,835</u>
Less: amount representing interest	<u>(1,358)</u>	<u>(31,937)</u>	<u>(7,424)</u>
Present value of net minimum lease payments	<u>\$ 30,235</u>	<u>\$ 292,033</u>	<u>\$ 130,411</u>

**NOTE 13 - JOINT VENTURE**

**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 \$7,951 at December 31, 2017. 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, 2017

**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 \$138,775 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 \$14,674 and interest expense incurred on AMP's line-of-credit of \$30,875, resulting in a net impaired cost estimate at December 31, 2017 of \$600,647. The Village does have a potential PHFU Liability of \$337,649 resulting in a net total potential liability of \$938,296, 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 12 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, 2017

**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 Computerization	Court Special General Projects	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Unclaimed monies	\$ 15,768	\$ -	\$ -	\$ -	\$ 15,768
Total nonspendable	<u>15,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,768</u>
Restricted:					
Recreation	-	-	-	24,235	24,235
Public safety	-	369,322	630,808	263,975	1,264,105
Street maintenance	-	-	-	255,126	255,126
Enforcement and education	-	-	-	43,128	43,128
Community development	255	-	-	56,522	56,777
Capital improvements	-	-	-	121,304	121,304
Total restricted	<u>255</u>	<u>369,322</u>	<u>630,808</u>	<u>764,290</u>	<u>1,764,675</u>
Assigned:					
Purchases on order	1,079	-	-	-	1,079
Subsequent year appropriations	302,951	-	-	-	302,951
Total assigned	<u>304,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,030</u>
Unassigned	<u>319,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,162</u>
Total fund balances	<u>\$ 639,215</u>	<u>\$ 369,322</u>	<u>\$ 630,808</u>	<u>\$ 764,290</u>	<u>\$ 2,403,635</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	\$ 1,079	Water	\$ 60,132
Court Special General Projects	9,149	Sewer	8,252
Other Governmental	8,101	Electric	37,511
Total Governmental	<u>\$ 18,329</u>	Other Proprietary	2,076
		Total Proprietary	<u>\$ 107,971</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 17 - CONTINGENCIES**

**A. Litigation**

The Village is not a party to legal proceedings.

**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.

**NOTE 18 - CONTINGENCIES**

The Village passed a resolution on May 7, 2018, which approved an Electric System Bond Anticipation Note in the amount of \$1,395,000.



# Dave Yost • Auditor of State

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

Village of Newton Falls  
Trumbull County  
19 North Canal Street  
Newton Falls, OH 44444

To the Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newton Falls, Trumbull County, (the Village) as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated September 11, 2018, wherein we noted the Entity followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2017-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-002 described in the accompanying schedule of findings to be a significant deficiency.

***Compliance and Other Matters***

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

***Village's Response to Findings***

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

***Purpose of this Report***

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



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

September 11, 2018

VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017

1. **Bank to Book Reconciliations**

<i>Finding Number</i>	2017-001
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MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

**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:

(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.

(2) Assertions about account balances at the period end:

- (a) Existence/occurrence: That recorded assets (and liabilities, if generally accepted accounting principles apply) exist as of fiscal year end, recorded transactions have occurred and are not fictitious.
- (b) Completeness: That all account balances and transactions that should be included in the financial records are included.

The Village was not reconciled each month during 2017. The Village hired an independent public accounting firm to reconcile their book and bank balances. The following issues were noted related to the Villages year-end bank reconciliation:

- The Village did not perform bank reconciliations in a timely manner. Five different year-end reconciliations were received for audit in the months of May, June, July, and August 2018.
- The reconciliation system balance and the financial statements were adjusted for payroll transactions that were not posted in the amount of \$204,423 (3 pay periods occurring in July and August). The payroll transactions were processed in the SSI payroll module, however they were not updated to the accounting module. The Village did not provide documentation to support the reason for the processing error.
- The reconciliation system balance and the financial statements were adjusted for a November 2016 OPERS payment in the amount of \$20,316.
- The reconciliation accounted for several adjustments totaling a net \$8,499 that were not adequately supported by the Village. The accounting system was understated in relation to the bank balances. Included in this amount, was an "unreconciled" adjustment in the amount of \$9,508; the Village could not identify or support the related transactions.
- The financial statements were adjusted for the "unreconciled" amount of \$9,508, however the Village did not provide Council legislation approving the adjustment.
- The Village changed the method in valuing their investment balances on the bank reconciliation which resulted in reducing investment and fund balances in the amount of \$14,012.
- The errors noted above led to an overstatement of the accounting system fund balances throughout the year, in particular, from July to December. Any reliance on the accounting system for monitoring of financial data and managerial decisions would be affected.
- The reconciliation accounted for 13 long outstanding checks totaling \$1,490 that were issued prior to January 1, 2017.
- The following fund balance adjustments were necessary:

Fund	Amount
General	\$(90,759)
Income Tax	(9,227)
Street Construction	(20,373)
Park and Recreation	(1,250)
Special Levy Police	1,247
Water Revenue	(46,898)
OWDA Water Plant Loan	125
Sewer Revenue	(25,815)
Electric Revenue	(24,662)
Storm water Utility	60
Utility Office	(10,997)
Trumbull County Cap	16
Fire / Township Fuel	(564)
Refuse	324
<b>Total</b>	<b>\$(228,773)</b>



The Village should take steps to ensure all accounts are reconciled on a monthly basis and any unreconciled variances investigated and corrected in a timely manner. The Village should additionally take steps to alleviate or adjust outstanding reconciling items after being fully investigated and approved by Village Council. As a monitoring control, the monthly bank reconciliation should be reviewed and evidenced as approved by an individual with appropriate fiscal authority. The monthly bank reconciliation should be included in the monthly financial reports submitted to Council for their review and approval.

The Village should implement policies and procedures which would include reviewing the outstanding check list and remove any outstanding checks longer than six months. These outstanding checks should be placed in an unclaimed money fund.

**Official's Response:** The Village has contracted with Julian and Grube and 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 major accounting software efficiencies and the Village is currently working with the State Auditor's Office for the Uniform Accounting Network (UAN) for a data conversion with the next fiscal year 2018. All public monies were accounted for in 2017.

2. **Final Budget Amounts**

<i>Finding Number</i>	2017-002
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SIGNIFICANT DEFICIENCY

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

The Village did not properly enter budgetary data for estimated receipts into their accounting system. 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 accounting system was understated for the following governmental major funds:

Fund	County Certificate 17-3	SSI Revenue Report	Difference
General	1,835,046	1,669,600	(165,446)
Court Computerization	75,453	50,000	(25,453)
Court Special Projects	113,590	75,000	(38,590)

In addition, on December 18, 2017, Village Council approved amendments to appropriations and estimated resources. However, the amendments were not sent to the County Budget Commission until March of 2018.

The Village should have internal controls in place to reasonably assure that budgetary accounts are accurately 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 submitted to the County Budget Commission in a timely manner and 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 SSI Revenue Report budget figures match the certificate for 17-1. The County Certificate 17-3 is the final and actual revenue for the fiscal year 2017. The Village has a conservative approach to budgeting and will always estimate low on budgeting to ensure that the Village does not over spend its appropriation.



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, 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	Integrated Accounting System (since 2015)	Finding 2017-003	UAN new accounting software project and Julian & Grube hired as consultant to correct this issue
2016-002	Bank to Book Reconciliations (since 2015)	Finding 2017-002	UAN new accounting software project and Julian & Grube hired as consultant to correct this issue

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# 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 11, 2018**