



Dave Yost • Auditor of State



**VILLAGE OF NEWTON FALLS  
TRUMBULL COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Newton Falls, Trumbull County, Ohio (the Village), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newton Falls, Trumbull County, Ohio, as of December 31, 2013, and the respective changes in cash financial position and the respective budgetary comparison for the General, Court Computerization, and Court Special General Projects special revenue funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Other Matters***

*Supplemental and Other Information*

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

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

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

December 4, 2014

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

### *Management's Discussion and Analysis*

*For the Year Ended December 31, 2013*

*Unaudited*

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This discussion and analysis of the Village of Newton Falls financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2013, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

### **Highlights**

Key highlights for 2013 are as follows:

- Net position of governmental activities increased as a result of revenues exceeding expenditures due to increases in property and other local taxes and income tax revenues as a result of more timely collections from taxpayers.
- During the year, the Village entered into a \$57,500 four year capital lease for a street sweeper.
- The Village issued a \$2,495,000 bond anticipation note at a rate of 1.25 percent for various improvements to the Broad Street Lighting, festival power, South Circuit voltavare conversion and upgrade, Warren Road substation addition, Church Street substation addition, and Peak Shaving Generator back-up. The issuance matures on June 26, 2014.

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

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

### **Report Components**

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

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

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

### **Basis of Accounting**

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

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

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

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2013*

*Unaudited*

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

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

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

The statement of net position and the statement of activities reflect how the Village did financially during 2013, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

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

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

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

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

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

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

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

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2013*

*Unaudited*

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

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

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

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

Table 1 provides a summary of the Village's net position for 2013 compared to 2012 on a cash basis.

(Table 1)  
**Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Assets</b>						
Cash and Cash Equivalents	\$1,259,004	\$1,147,276	\$1,997,443	\$1,886,389	\$3,256,447	\$3,033,665
Restricted Cash						
and Cash Equivalents	0	0	220,149	181,849	220,149	181,849
Internal Balances	11,407	(10,406)	(11,407)	10,406	0	0
<i>Total Assets</i>	<u>\$1,270,411</u>	<u>\$1,136,870</u>	<u>\$2,206,185</u>	<u>\$2,078,644</u>	<u>\$3,476,596</u>	<u>\$3,215,514</u>
<b>Net Position</b>						
Restricted for:						
Capital Outlay	\$278,299	\$230,115	\$0	\$0	\$278,299	\$230,115
Other Purposes	873,708	723,091	0	0	873,708	723,091
Debt Service	0	0	220,149	181,849	220,149	181,849
Unrestricted	118,404	183,664	1,986,036	1,896,795	2,104,440	2,080,459
<i>Total Net Position</i>	<u>\$1,270,411</u>	<u>\$1,136,870</u>	<u>\$2,206,185</u>	<u>\$2,078,644</u>	<u>\$3,476,596</u>	<u>\$3,215,514</u>

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

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2013*

*Unaudited*

- Total governmental assets increased from 2012. The increase in equity in pooled cash and cash equivalents is largely due to revenues exceeding expenditures as a result of increased property and income tax revenues as a result of more timely collections from taxpayers.
- Net position of business-type activities increased over 2012. This increase is due to the continued pay down of outstanding debt obligations and an increase in revenue as a result of the increases in water and sewer consumption.

Table 2 reflects the changes in net position for 2013 compared to 2012 on a cash basis.

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

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Receipts:</b>						
<i>Program Receipts</i>						
Charges for Services	\$918,170	\$1,010,551	\$7,504,640	\$7,145,235	\$8,422,810	\$8,155,786
Operating Grants	466,323	225,720	0	0	466,323	225,720
Capital Grants and Contributions	5,563	149,952	67,512	206,472	73,075	356,424
<i>Total Program Receipts</i>	<u>1,390,056</u>	<u>1,386,223</u>	<u>7,572,152</u>	<u>7,351,707</u>	<u>8,962,208</u>	<u>8,737,930</u>
<i>General Receipts:</i>						
Property and Other Local Taxes	364,391	331,305	0	0	364,391	331,305
Income Taxes	880,460	769,924	0	0	880,460	769,924
Intergovernmental	185,314	278,226	0	0	185,314	278,226
Proceeds of Notes	0	0	2,495,000	2,595,000	2,495,000	2,595,000
Investment Earnings	138,069	117,979	0	0	138,069	117,979
Miscellaneous	280,106	703,110	42,860	29,504	322,966	732,614
<i>Total General Receipts</i>	<u>1,848,340</u>	<u>2,200,544</u>	<u>2,537,860</u>	<u>2,624,504</u>	<u>4,386,200</u>	<u>4,825,048</u>
<i>Total Receipts</i>	<u>3,238,396</u>	<u>3,586,767</u>	<u>10,110,012</u>	<u>9,976,211</u>	<u>13,348,408</u>	<u>13,562,978</u>
<b>Disbursements:</b>						
General Government	1,068,397	1,548,941	0	0	1,068,397	1,548,941
Security of Persons and Property	1,051,080	1,224,902	0	0	1,051,080	1,224,902
Leisure Time Activities	114,097	116,978	0	0	114,097	116,978
Community Environment	257,937	17,354	0	0	257,937	17,354
Transportation	456,475	666,384	0	0	456,475	666,384
Capital Outlay	155,829	211,000	0	0	155,829	211,000
Principal Retirement	409	89,374	0	0	409	89,374
Interest and Fiscal Charges	631	4,847	0	0	631	4,847
Water	0	0	1,449,543	1,703,000	1,449,543	1,703,000
Sewer	0	0	1,379,981	1,286,328	1,379,981	1,286,328
Electric	0	0	7,152,947	6,934,188	7,152,947	6,934,188
<i>Total Disbursements</i>	<u>3,104,855</u>	<u>3,879,780</u>	<u>9,982,471</u>	<u>9,923,516</u>	<u>13,087,326</u>	<u>13,803,296</u>
Change in Net Position	133,541	(293,013)	127,541	52,695	261,082	(240,318)
<i>Net Position, Beginning of Year</i>	<u>1,136,870</u>	<u>1,429,883</u>	<u>2,078,644</u>	<u>2,025,949</u>	<u>3,215,514</u>	<u>3,455,832</u>
<i>Net Position, End of Year</i>	<u>\$1,270,411</u>	<u>\$1,136,870</u>	<u>\$2,206,185</u>	<u>\$2,078,644</u>	<u>\$3,476,596</u>	<u>\$3,215,514</u>

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

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2013*

*Unaudited*

Program revenues of governmental activities increased in 2013, with the majority of the increase due to greater operating grant revenues received by the Village as the Village continues to seek out additional sources of revenue. General revenues of governmental activities increased over 2012 from the increase in property taxes, income taxes as a result of more timely collections from taxpayers as well as in interest income which was due to better rates of return on the Village's investments.

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

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

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

**Governmental and Business-Type Activities**

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

(Table 3)

	Governmental Activities		Business-Type Activities	
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2013	2013	2013	2013
General Government	\$1,068,397	\$655,101	\$0	\$0
Security of Persons and Property	1,051,080	741,660	0	0
Leisure Time Activities	114,097	88,936	0	0
Community Environment	257,937	916	0	0
Transportation	456,475	236,239	0	0
Capital Outlay	155,829	(9,093)	0	0
Principal Retirement	409	409	0	0
Interest and Fiscal Charges	631	631	0	0
Water	0	0	1,449,543	(248,801)
Sewer	0	0	1,379,981	9,840
Electric	0	0	7,152,947	2,649,280
<i>Total Expenses</i>	<u>\$3,104,855</u>	<u>\$1,714,799</u>	<u>\$9,982,471</u>	<u>\$2,410,319</u>

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

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2013*

*Unaudited*

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

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

Total governmental funds had receipts of \$3,200,464 and disbursements of \$3,064,665. The greatest change within governmental funds occurred within the general fund as the result of expenditures exceeding revenues due to fewer fines, licenses and permits and miscellaneous revenues received.

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

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

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

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

### **General Fund Budgeting Highlights**

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

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

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

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

#### **Capital Assets**

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

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

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2013*

*Unaudited*

Debt

At December 31, 2013, the Village's outstanding debt included:

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

	2013	2012
<b>Governmental -Type Debt:</b>		
Capital Lease	\$57,500	\$0
Police and Fire Pension Liability	14,542	14,951
Total	<u>\$72,042</u>	<u>\$14,951</u>
<b>Business-Type Debt:</b>		
Mortgage Revenue Bonds	\$6,788,600	\$6,870,500
OWDA Loans	1,745,770	1,900,454
OPWC Loans	266,808	290,966
Bond Anticipation Note	2,495,000	2,595,000
Capital Lease	0	30,007
Total	<u>\$11,296,178</u>	<u>\$11,686,927</u>

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

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

During 2008, the Village entered into a five year capital lease with Kansas State Bank of Manhattan for an electric bucket truck for the principal amount of \$137,912. The lease was paid off during 2013 from the electric enterprise fund.

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

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, 2013 the Sewer Revenue Bonds have a redemption price of 1.01 percent. The restrictions that were placed upon these bonds by the indenture as of December 31, 2013, restricted the Village's Sewer fund assets in the amount of \$220,149 for operation and maintenance.

The Village's overall legal debt margin was \$6,257,218 with an unvoted debt margin of \$3,277,590 at December 31, 2013.

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

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2013*

*Unaudited*

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See Note 12 to the basic financial statements for additional information on the Village's debt.

**Current Issues**

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

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

**Contacting the Village's Financial Management**

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



**Village of Newton Falls, Ohio**  
*Statement of Net Position - Cash Basis*  
 December 31, 2013

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,259,004	\$1,997,443	\$3,256,447
Restricted Equity in Pooled Cash and Cash Equivalents	0	220,149	220,149
Internal Balances	11,407	(11,407)	0
<i>Total Assets</i>	<u>\$1,270,411</u>	<u>\$2,206,185</u>	<u>\$3,476,596</u>
<b>Net Position</b>			
Restricted for:			
Capital Projects	\$278,299	\$0	\$278,299
Other Purposes	873,708	0	873,708
Debt Service	0	220,149	220,149
Unrestricted	118,404	1,986,036	2,104,440
<i>Total Net Position</i>	<u>\$1,270,411</u>	<u>\$2,206,185</u>	<u>\$3,476,596</u>

See accompanying notes to the basic financial statements

**Village of Newton Falls, Ohio**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2013

	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating Grants	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$1,068,397	\$413,296	\$0	\$0
Security of Persons and Property	1,051,080	306,751	2,669	0
Leisure Time Activities	114,097	24,661	500	0
Community Environment	257,937	7,021	250,000	0
Transportation	456,475	7,082	213,154	0
Capital Outlay	155,829	159,359	0	5,563
Principal Retirement	409	0	0	0
Interest and Fiscal Charges	631	0	0	0
<i>Total Governmental Activities</i>	<u>3,104,855</u>	<u>918,170</u>	<u>466,323</u>	<u>5,563</u>
<b>Business-Type Activities</b>				
Water	1,449,543	1,677,494	0	20,850
Sewer	1,379,981	1,323,479	0	46,662
Electric	7,152,947	4,503,667	0	0
<i>Total Business-Type Activities</i>	<u>9,982,471</u>	<u>7,504,640</u>	<u>0</u>	<u>67,512</u>
<i>Total</i>	<u>\$13,087,326</u>	<u>\$8,422,810</u>	<u>\$466,323</u>	<u>\$73,075</u>

**General Receipts**

Property Taxes Levied for:

    General Purposes

    Permissive Auto

    Police Pension

Municipal Income Taxes Levied for:

    General Purposes

    Street, Construction, Maintenance and Repair

    Parks and Recreation

    Capital Improvements

Grants and Entitlements not Restricted to Specific Programs

Bond Anticipation Notes Issued

Investment Earnings

Miscellaneous

*Total General Receipts*

*Change in Net Position*

*Net Position Beginning of Year*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$655,101)	\$0	(\$655,101)
(741,660)	0	(741,660)
(88,936)	0	(88,936)
(916)	0	(916)
(236,239)	0	(236,239)
9,093	0	9,093
(409)	0	(409)
(631)	0	(631)
<u>(1,714,799)</u>	<u>0</u>	<u>(1,714,799)</u>
0	248,801	248,801
0	(9,840)	(9,840)
0	(2,649,280)	(2,649,280)
<u>0</u>	<u>(2,410,319)</u>	<u>(2,410,319)</u>
<u>(1,714,799)</u>	<u>(2,410,319)</u>	<u>(4,125,118)</u>
253,344	0	253,344
93,346	0	93,346
17,701	0	17,701
572,299	0	572,299
88,046	0	88,046
88,046	0	88,046
132,069	0	132,069
185,314	0	185,314
0	2,495,000	2,495,000
138,069	0	138,069
280,106	42,860	322,966
<u>1,848,340</u>	<u>2,537,860</u>	<u>4,386,200</u>
133,541	127,541	261,082
<u>1,136,870</u>	<u>2,078,644</u>	<u>3,215,514</u>
<u>\$1,270,411</u>	<u>\$2,206,185</u>	<u>\$3,476,596</u>

**Village of Newton Falls, Ohio**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2013*

	General	Court Computerization	Court Special General Projects	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$101,744	\$274,890	\$238,046	\$277,607	\$351,546	\$1,243,833
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	9,663	0	0	0	0	9,663
<i>Total Assets</i>	<u>\$111,407</u>	<u>\$274,890</u>	<u>\$238,046</u>	<u>\$277,607</u>	<u>\$351,546</u>	<u>\$1,253,496</u>
<b>Fund Balances</b>						
Nonspendable	\$9,663	\$0	\$0	\$0	\$0	\$9,663
Restricted	255	274,890	238,046	277,607	351,546	1,142,344
Assigned	58,687	0	0	0	0	58,687
Unassigned	42,802	0	0	0	0	42,802
<i>Total Fund Balances</i>	<u>\$111,407</u>	<u>\$274,890</u>	<u>\$238,046</u>	<u>\$277,607</u>	<u>\$351,546</u>	<u>\$1,253,496</u>

See accompanying notes to the basic financial statements

**Village of Newton Falls, Ohio**  
*Reconciliation of Cash Basis Assets and Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2013*

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<b>Total Governmental Funds Balances</b>	\$1,253,496
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*Amounts reported for governmental activities in the  
 statement of net position are different because*

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

Net Position	5,508	
Internal Balances	11,407	
 Total		16,915

<i>Net Position of Governmental Activities</i>	\$1,270,411
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See accompanying notes to the basic financial statements

**Village of Newton Falls, Ohio**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2013*

	General	Court Computerization	Court Special General Projects	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property Taxes	\$253,344	\$0	\$0	\$0	\$111,047	\$364,391
Municipal Income Taxes	572,299	0	0	132,069	176,092	880,460
Intergovernmental	185,314	0	0	5,563	466,323	657,200
Charges for Services	11,697	0	0	0	32,388	44,085
Fines, Licenses and Permits	704,495	61,343	98,016	0	10,231	874,085
Investment Earnings	118,616	0	0	0	19,453	138,069
Miscellaneous	214,765	0	0	7,999	19,410	242,174
<i>Total Receipts</i>	<u>2,060,530</u>	<u>61,343</u>	<u>98,016</u>	<u>145,631</u>	<u>834,944</u>	<u>3,200,464</u>
<b>Disbursements</b>						
Current:						
General Government	1,038,995	0	0	0	8,786	1,047,781
Security of Persons and Property	1,007,543	0	0	0	29,717	1,037,260
Leisure Time Activities	0	0	0	0	114,097	114,097
Community Environment	23,218	0	0	0	234,719	257,937
Transportation	0	0	0	0	450,721	450,721
Capital Outlay	0	50,516	7,866	97,447	0	155,829
Debt Service:						
Principal Retirement	0	0	0	0	409	409
Interest and Fiscal Charges	0	0	0	0	631	631
<i>Total Disbursements</i>	<u>2,069,756</u>	<u>50,516</u>	<u>7,866</u>	<u>97,447</u>	<u>839,080</u>	<u>3,064,665</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,226)</u>	<u>10,827</u>	<u>90,150</u>	<u>48,184</u>	<u>(4,136)</u>	<u>135,799</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	0	0	0	53,411	53,411
Transfers Out	(53,411)	0	0	0	0	(53,411)
<i>Total Other Financing Sources (Uses)</i>	<u>(53,411)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>53,411</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(62,637)</u>	<u>10,827</u>	<u>90,150</u>	<u>48,184</u>	<u>49,275</u>	<u>135,799</u>
<i>Fund Balances</i>						
<i>Beginning of Year</i>	<u>174,044</u>	<u>264,063</u>	<u>147,896</u>	<u>229,423</u>	<u>302,271</u>	<u>1,117,697</u>
<i>Fund Balances End of Year</i>	<u>\$111,407</u>	<u>\$274,890</u>	<u>\$238,046</u>	<u>\$277,607</u>	<u>\$351,546</u>	<u>\$1,253,496</u>

See accompanying notes to the financial statements

**Village of Newton Falls, Ohio**

*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes  
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2013*

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<b>Net Change in Fund Balance - Total Governmental Funds</b>	<b>\$135,799</b>
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*Amounts reported for governmental activities in the  
statement of net position are different because*

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

Change in Net Position	(24,071)	
Internal Balances	<u>21,813</u>	
Total		<u>(2,258)</u>

<i>Change in Net Position of Governmental Activities</i>	<u><u>\$133,541</u></u>
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See accompanying notes to the basic financial statements

**Village of Newton Falls, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$346,162	\$347,534	\$253,344	(\$94,190)
Municipal Income Taxes	781,973	785,072	572,299	(212,773)
Intergovernmental	253,208	254,211	185,314	(68,897)
Charges for Services	15,982	16,046	11,697	(4,349)
Fines, Licenses and Permits	962,602	966,416	704,495	(261,921)
Investment Earnings	162,074	162,716	118,616	(44,100)
Miscellaneous	896,066	899,617	214,765	(684,852)
<i>Total Receipts</i>	3,418,067	3,431,612	2,060,530	(1,371,082)
<b>Disbursements</b>				
Current:				
General Government	2,039,993	2,019,181	1,062,239	956,942
Security of Persons and Property	1,392,703	1,378,495	1,026,285	352,210
Community Environment	31,892	31,566	23,501	8,065
<i>Total Disbursements</i>	3,464,588	3,429,242	2,112,025	1,317,217
<i>Excess of Receipts Over (Under) Disbursements</i>	(46,521)	2,370	(51,495)	(53,865)
<b>Other Financing Uses</b>				
Transfers Out	(72,481)	(71,741)	(53,411)	18,330
<i>Net Change in Fund Balance</i>	(119,002)	(69,371)	(104,906)	(35,535)
<i>Fund Balance Beginning of Year</i>	139,432	139,432	139,432	0
Prior Year Encumbrances Appropriated	34,357	34,357	34,357	0
<i>Fund Balance End of Year</i>	\$54,787	\$104,418	\$68,883	(\$35,535)

See accompanying notes to the basic financial statements



**Village of Newton Falls, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual (Budget Basis)*  
*Court Computerization Fund*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Fines, Licenses and Permits	\$60,000	\$60,000	\$61,343	\$1,343
<b>Disbursements</b>				
Capital Outlay	50,543	72,243	72,070	173
<i>Net Change in Fund Balance</i>	9,457	(12,243)	(10,727)	1,516
<i>Fund Balance Beginning of Year</i>	263,520	263,520	263,520	0
Prior Year Encumbrances Appropriated	543	543	543	0
<i>Fund Balance End of Year</i>	\$273,520	\$251,820	\$253,336	\$1,516

See accompanying notes to the basic financial statements

**Village of Newton Falls, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual (Budget Basis)*  
*Court Special General Projects Fund*  
*For the Year Ended December 31, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Fines, Licenses and Permits	\$0	\$0	\$98,016	\$98,016
<b>Disbursements</b>				
Capital Outlay	8,000	8,000	7,866	134
<i>Net Change in Fund Balance</i>	(8,000)	(8,000)	90,150	98,150
<i>Fund Balance Beginning of Year</i>	147,896	147,896	147,896	0
<i>Fund Balance End of Year</i>	<u>\$139,896</u>	<u>\$139,896</u>	<u>\$238,046</u>	<u>\$98,150</u>

See accompanying notes to the basic financial statements

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**Village of Newton Falls, Ohio**  
*Statement of Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*December 31, 2013*

	Enterprise		
	Water	Sewer	Electric
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$931,931	\$578,457	\$487,055
Restricted Equity in Pooled Cash and Cash Equivalents	0	220,149	0
<b>Total Assets</b>	<b>\$931,931</b>	<b>\$798,606</b>	<b>\$487,055</b>
<b>Net Position</b>			
Restricted for Debt Service	\$0	\$220,149	\$0
Unrestricted	931,931	578,457	487,055
<b>Total Net Position</b>	<b>\$931,931</b>	<b>\$798,606</b>	<b>\$487,055</b>

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

Net position of business-type activities:

See accompanying notes to the basic financial statements

<u>Funds</u>	
<u>Total</u>	<u>Internal Service</u>
\$1,997,443	\$5,508
<u>220,149</u>	<u>0</u>
<u>\$2,217,592</u>	<u>\$5,508</u>
\$220,149	\$0
<u>1,997,443</u>	<u>5,508</u>
2,217,592	<u>\$5,508</u>
<u>(11,407)</u>	
<u>\$2,206,185</u>	

**Village of Newton Falls, Ohio**  
*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Position - Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2013*

	Enterprise		
	Water	Sewer	Electric
<b>Operating Receipts</b>			
Charges for Services	\$1,677,494	\$1,323,479	\$4,503,667
Miscellaneous	6,426	3,927	32,507
<i>Total Operating Receipts</i>	<u>1,683,920</u>	<u>1,327,406</u>	<u>4,536,174</u>
<b>Operating Disbursements</b>			
Personal Services	660,523	411,667	329,566
Travel and Transportation	814	53	3,840
Contractual Services	165,739	174,072	3,639,069
Materials and Supplies	130,517	61,283	47,110
Claims	0	0	0
Capital Outlay	83,555	108,372	95,574
Miscellaneous	195,494	224,303	354,793
<i>Total Operating Disbursements</i>	<u>1,236,642</u>	<u>979,750</u>	<u>4,469,952</u>
<i>Operating Income (Loss)</i>	<u>447,278</u>	<u>347,656</u>	<u>66,222</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Redemption of Principal	(167,397)	(93,345)	(2,625,007)
Interest and Fiscal Charges	(36,390)	(300,375)	(51,800)
Bond Anticipation Notes Issued	0	0	2,495,000
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(203,787)</u>	<u>(393,720)</u>	<u>(181,807)</u>
<i>Income (Loss) before Capital Contributions</i>	243,491	(46,064)	(115,585)
Capital Contributions	20,850	46,662	0
<i>Change in Net Position</i>	264,341	598	(115,585)
<i>Net Position Beginning of Year</i>	<u>667,590</u>	<u>798,008</u>	<u>602,640</u>
<i>Net Position End of Year</i>	<u>\$931,931</u>	<u>\$798,606</u>	<u>\$487,055</u>

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

Change in net position of business-type activities:

See accompanying notes to the basic financial statements

<u>Funds</u>	
<u>Total</u>	<u>Internal Service</u>
\$7,504,640	\$871,069
42,860	37,932
<u>7,547,500</u>	<u>909,001</u>
1,401,756	0
4,707	0
3,978,880	0
238,910	0
0	933,072
287,501	0
774,590	0
<u>6,686,344</u>	<u>933,072</u>
<u>861,156</u>	<u>(24,071)</u>
(2,885,749)	0
(388,565)	0
<u>2,495,000</u>	<u>0</u>
<u>(779,314)</u>	<u>0</u>
81,842	(24,071)
<u>67,512</u>	<u>0</u>
149,354	(24,071)
	<u>29,579</u>
	<u>\$5,508</u>
<u>(21,813)</u>	
<u>\$127,541</u>	

**Village of Newton Falls, Ohio**  
*Statement of Fiduciary Assets and Liabilities - Cash Basis*  
*Fiduciary Fund*  
*December 31, 2013*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$250,287
Cash and Cash Equivalents:	
In Segregated Accounts	<u>8,109</u>
<i>Total Assets</i>	<u><u>\$258,396</u></u>
<b>Liabilities</b>	
Deposits Held and Due to Others	<u><u>\$258,396</u></u>

See accompanying notes to the basic financial statements



**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 1 - Reporting Entity**

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

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

***Primary Government***

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

***Joint Ventures***

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

The Village participates in the Ohio Municipal Electric Generation Agency (JV1) joint venture presented in Note 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**

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

***Basis of Presentation***

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

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

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

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

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

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

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds of the Village are presented in three categories: governmental, proprietary and fiduciary.

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

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

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

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

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

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

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

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

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

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

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

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

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

***Basis of Accounting***

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

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

***Cash and Cash Equivalents***

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

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

During 2013, investments were limited to mutual funds, taxable bonds and STAR Ohio, the State Treasurer's Investment Pool.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act to 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on December 31, 2013.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2013 amounted to \$118,616, which includes \$106,345 assigned from other Village funds.

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

***Restricted Assets***

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

***Inventory and Prepaid Items***

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

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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***Capital Assets***

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

***Internal Balances***

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

***Accumulated Leave***

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

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

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***Long-term Obligations***

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

***Fund Balance***

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

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

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

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

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

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

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

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

***Net Position***

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

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

***Interfund Activity***

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

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

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
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and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

***Budgetary Process***

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

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

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

**Note 3 – Change in Accounting Principles**

For 2013, the Village has implemented Governmental Accounting Standard Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB 14 and 34." This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change in the Village's financial statements.

**Note 4 - Fund Balances**

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

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Fund Balances	General	Court Computerization	Court Special General Projects	Capital Improvement	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>						
Unclaimed Monies	\$9,663	\$0	\$0	\$0	\$0	\$9,663
<b><i>Restricted for</i></b>						
Recreation	0	0	0	0	41,408	41,408
Public Safety	0	0	0	0	124,580	124,580
Street Maintenance	0	0	0	0	144,344	144,344
Enforcement and Education	0	274,890	238,046	0	16,780	529,716
Community Development	255	0	0	0	23,742	23,997
Capital Improvements	0	0	0	277,607	692	278,299
<b><i>Total Restricted</i></b>	<b>255</b>	<b>274,890</b>	<b>238,046</b>	<b>277,607</b>	<b>351,546</b>	<b>1,142,344</b>
<b><i>Assigned to</i></b>						
Purchases on Order	58,687	0	0	0	0	58,687
<b><i>Unassigned</i></b>	<b>42,802</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>42,802</b>
<b><i>Total Fund Balances</i></b>	<b>\$111,407</b>	<b>\$274,890</b>	<b>\$238,046</b>	<b>\$277,607</b>	<b>\$351,546</b>	<b>\$1,253,496</b>

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis for the general fund, court computerization and court special general projects special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned of fund balance (cash basis). The general fund encumbrances outstanding at year end (budgetary basis) amounted to \$42,269 and the court computerization and court special general projects special revenue funds encumbrances outstanding at year end (budgetary basis) amounted to \$21,554 and \$0, respectively.

**Note 6 – Deposits and Investments**

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

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

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



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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain commercial paper notes and bankers' acceptances for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

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

**Investments**

Investments are reported at fair value. As of December 31, 2013, the Village had the following investments:

	Fair Value	Maturity	Standard & Poor's	Percent of Total Investments
Mutual Funds	\$1,288,847	Daily	AA+	59.35%
Taxable Bonds	878,389	Five years	AA+	40.45
STAR Ohio	4,410	Average 53.4 Days	AAAm	N/A
<i>Totals</i>	<u>\$2,171,646</u>			

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

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

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

**Note 7 – Taxes**

**Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes were levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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.

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
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Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2013 was \$2.65 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2013 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$44,252,790
Other Real Estate	14,858,990
Public Utility Personal Property	<u>480,770</u>
Total	<u><u>\$59,592,550</u></u>

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

***Income Tax***

The Village levies and collects an income tax of 1.0 percent on all income earned within the Village as well as on income of residents earned outside the Village. On January 23, 2012, Council approved Ordinance 2012-02 which repealed the credit for tax paid to another municipality in the Tax Code. This was only in effect for the 2012 tax year, with primary collections occurring in 2013. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village either monthly or quarterly as required. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. In 2013, the proceeds were allocated 65 percent to the general fund, 10 percent to the street, construction, repair and maintenance and 10 percent to the park and recreation special revenue funds and 15 percent to the capital improvement capital projects fund.

**Note 8 - Contingencies**

***Grants***

The Village receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Village at December 31, 2013.

***Litigation***

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

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 9 - Risk Management**

The Village of Newton Falls is exposed to various risks of loss to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disaster. During 2013, the Village contracted with Ohio Plan Insurance for various types of insurance coverage as follows:

<u>Type</u>	<u>Coverage</u>	<u>Deductible</u>
Inland Marine	\$1,050,921	\$1,000
Property	38,839,023	1,000
Electronic Data Processing	101,500	500
Fleet Vehicle		
Physical Damage	50,000	1,000
Liability	5,000,000	N/A

The Village managed employee health benefits on a self-insured basis. The employee health benefit plan provided basic health and dental coverage through MCA Administrators, Inc., the third party administrator (TPA) of the program, which reviewed and paid the claims. A specific excess loss coverage (stop-loss) insurance policy covered claims in excess of \$45,000 per employee per year.

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

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

**Note 10 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**Village of Newton Falls, Ohio**  
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Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. For the year ended December 31, 2013, members in state and local divisions contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2013, member and employer contribution rates were consistent across all three plans.

The Village's 2013 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1.00 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2 percent. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012 and 2011 were \$283,295, \$225,336 and \$229,991, respectively. For 2013, 92.39 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. There were no contributions to the Member-Directed Plan for 2013.

***Ohio Police Pension Fund***

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2013 thru July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013 thru December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent for police officers.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For January 1, 2013, thru May 31, 2013, the portion of employer contributions used to fund pension benefits was 14.81 percent of covered payroll for police officers. For June 1, 2013, thru December 31, 2013, the portion of employer contributions used to fund pension benefits was 16.65 percent of covered payroll for police officers. The Village's contributions to OP&F for police for the years ended December 31, 2013, 2012 and 2011 were \$49,428, \$44,328 and \$45,987, respectively; 90.92 percent has been contributed for 2013 with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

In addition to current contributions, the Village pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2013, the unfunded liability of the Village was \$14,542 payable in semi-annual payments through the year of 2035. This is an accounting liability of the Village which will not vary.

**Village of Newton Falls, Ohio**  
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**Note 11 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary.

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

The Village’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012 and 2011 were \$21,792, \$90,135 and \$91,996, respectively. For 2013, 92.39 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

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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 SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

***Ohio Police Pension Fund***

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For January 1, 2013, thru May 31, 2013, the employer contribution allocated to the health care plan was 4.69 percent of covered payroll. For June 1, 2013, thru December 31, 2013, the employer contribution allocated to the health care plan was 2.85 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

**Village of Newton Falls, Ohio**  
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For the Year Ended December 31, 2013

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police for the years ended December 31, 2013, 2012 and 2011 were \$11,255, \$23,468 and \$24,346. For 2013, 90.92 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

**Note 12 - Long-Term Obligations**

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
<b><i>Governmental-Type Debt:</i></b>			
Ohio Police Pension	4.25%	N/A	2035
<b><i>Business-Type Debt</i></b>			
Mortgage Revenue Bonds Series A	4.38	\$4,960,000	2048
Mortgage Revenue Bonds Series B	4.38	2,205,000	2048
<b><u>OWDA Loans</u></b>			
Warren Avenue Combined Sewer Separation	1.00	92,085	2030
Water Treatment Plant Improvements	2.00	3,102,133	2024
<b><u>OPWC Loans</u></b>			
Broad Street Water Distribution	0.00	253,463	2025
Broad Street Storm Water	0.00	186,493	2025
Water Main Valve Replacement	0.00	43,187	2025
Electric System Bond Anticipation Note	1.25	2,495,000	2014



**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2013

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

	Balance 12/31/12	Additions	Reductions	Balance 12/31/13	Amounts Due in One Year
<b>Governmental Activities</b>					
Capital Lease	\$0	\$57,500	\$0	\$57,500	\$13,788
Ohio Police Pension	14,951	0	(409)	14,542	413
<i>Total Governmental Activities</i>	<u>\$14,951</u>	<u>\$57,500</u>	<u>(\$409)</u>	<u>\$72,042</u>	<u>\$14,201</u>
<b>Business-Type Activities</b>					
<i>Mortgage Revenue Bonds</i>					
Series A	\$4,756,100	\$0	(\$56,700)	\$4,699,400	\$59,100
Series B	2,114,400	0	(25,200)	2,089,200	26,300
<i>Total Mortgage Revenue Bonds</i>	<u>6,870,500</u>	<u>0</u>	<u>(81,900)</u>	<u>6,788,600</u>	<u>85,400</u>
<i>OWDA Loans</i>					
Warren Avenue Combined Sewer Separation	42,995	0	(2,120)	40,875	0
Water Treatment Plant Improvements	1,857,459	0	(152,564)	1,704,895	155,631
<i>Total OWDA Loans</i>	<u>1,900,454</u>	<u>0</u>	<u>(154,684)</u>	<u>1,745,770</u>	<u>155,631</u>
<i>OPWC Loans</i>					
Broad Street Water Distribution	152,078	0	(12,674)	139,404	12,674
Broad Street Storm Water	111,896	0	(9,325)	102,571	9,324
Water Main Valve Replacement	26,992	0	(2,159)	24,833	2,160
<i>Total OPWC Loans</i>	<u>290,966</u>	<u>0</u>	<u>(24,158)</u>	<u>266,808</u>	<u>24,158</u>
<i>Bond Anticipation Notes</i>					
Electric System	2,595,000	2,495,000	(2,595,000)	2,495,000	2,495,000
<i>Capital Lease</i>	<u>30,007</u>	<u>0</u>	<u>(30,007)</u>	<u>0</u>	<u>0</u>
<b>Total Business-Type Activities</b>	<u>\$11,686,927</u>	<u>\$2,495,000</u>	<u>(\$2,885,749)</u>	<u>\$11,296,178</u>	<u>\$2,760,189</u>

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

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

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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During 2012, the Village of Newton Falls issued a bond anticipation note for \$2,595,000 payable at a rate of 1.25 percent, for various improvements to the Broad Street Lighting, festival power, South Circuit voltavare conversion and upgrade, Warren Road substation addition, Church Street substation addition, and Peak Shaving Generator back-up. This issuance was repaid on June 27, 2013.

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

A line of credit has been established with the Ohio Water Development Authority in the amount of \$92,085 for the Warren Avenue Combined Sewer Separation; however, since this loan is not finalized, the repayment schedule is not included in the schedule of debt service payments. Until a final repayment schedule is available, the Village is paying based on estimates.

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, 2013 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 \$220,149 for operation and maintenance.

The Village has pledged future revenues, net of operating expenses, to repay OPWC loans in the sewer enterprise fund. The debt is payable solely from net revenues and are payable through 2025. Annual principal payments on the debt issues are expected to require 2.37 of net revenues. The total principal remaining to be paid on the debt is \$102,571. Principal paid for the current year and total net revenues were \$9,325 and \$394,317 respectively.

The Village has pledged future revenues, net of operating expenses, to repay OPWC loans in the water enterprise fund. The debt is payable solely from net revenues and are payable through 2025. Annual principal payments on the debt issues are expected to require 3.17 of net revenues. The total principal remaining to be paid on the debt is \$164,237. Principal paid for the current year and total net revenues were \$14,833 and \$468,128 respectively.

**Village of Newton Falls, Ohio**  
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The Village's overall legal debt margin was \$6,257,218 with an unvoted debt margin of \$3,277,590 at December 31, 2013. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2013 are as follows:

<b>Governmental-Type Activities</b>		
Ohio Police Pension Liability		
	Principal	Interest
2014	\$413	\$614
2015	445	595
2016	463	576
2017	484	566
2018	493	547
2019 - 2023	2,834	2,366
2024 - 2028	3,519	1,681
2029 - 2033	4,190	1,010
2034 - 2035	1,701	246
Total	<u>\$14,542</u>	<u>\$8,201</u>

<b>Business-Type Activities</b>						
	OWDA Loans		OPWC Loans		Mortgage Revenue Bonds	
	Principal	Interest	Principal	Principal	Interest	
2014	\$155,631	\$33,324	\$24,158	\$85,400	\$297,001	
2015	158,760	30,196	24,156	89,300	293,265	
2016	161,950	27,004	24,156	93,000	289,358	
2017	165,206	23,750	24,156	97,200	285,289	
2018	168,526	20,429	24,156	101,400	281,037	
2019 - 2023	894,822	49,949	120,780	577,600	1,334,629	
2024 - 2028	0	0	25,246	715,500	1,196,724	
2029 - 2033	0	0	0	886,400	1,025,898	
2034 - 2038	0	0	0	1,098,000	814,275	
2039 - 2043	0	0	0	1,360,000	552,147	
2044 - 2048	0	0	0	1,684,800	227,443	
Total	<u>\$1,704,895</u>	<u>\$184,652</u>	<u>\$266,808</u>	<u>\$6,788,600</u>	<u>\$6,597,066</u>	

**Note 13 – Joint Ventures**

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

The Village's Electrical Enterprise Fund participates in a joint venture agreement with 20 other municipal electric systems who have formed the Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV1) for the purpose of providing electric power and energy to its participants on a cooperative basis. The electric generating facilities of OMEGA JV1, known as the Engle Units, are located in the City of Cuyahoga Falls. Title to these six diesel-powered generating units was transferred to the twenty-one municipal electric systems from American Municipal Power, Incorporated (AMP, Inc.), a non-profit trade association and

**Village of Newton Falls, Ohio**  
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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 \$10,211 at December 31, 2013. Financial information for JV1 may be obtained from AMP, Inc., 2600 Airport Drive, Columbus, Ohio 43219.

**Note 14 – Interfund Transfers**

During 2013, the general fund transferred \$47,523 and \$5,888 to the street construction, maintenance and repair fund and the senior van special revenue funds; respectively, to provide additional operating costs per the budget.

**Note 15 – Capital Lease**

The Village has entered into a capitalized lease for a street sweeper. The lease meets the criteria for a capital lease and has been recorded on the statements. The original amount capitalized for the capital lease and the book value as of December 31, 2013 for governmental activities follows:

	Governmental Activities
Asset:	
Vehicles	\$57,500
Less: Accumulated depreciation	3,833
Current Book Value	\$53,667

The following is a schedule of the future minimum leases payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2013.

	Amounts
2014	\$15,390
2015	15,390
2016	15,390
2017	15,390
Total Minimum Lease Payments	61,560
Less: Amount representing interest	(4,060)
Present Value of Minimum Lease Payments	\$57,500

**Note 16 – 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.

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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***History of the AMPGS Project***

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

At the same time, the participants voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key fixed-price contract that would be open to interested AMP members. The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center ("AFEC") at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2012, the type of generating asset has not been determined.

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 7,130 kilowatts of a total 771,281 kilowatts, giving the Village a 0.92 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$1,239,847. The Village received a credit of \$223,521 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$322,453 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$693,873. The Village will begin making payments in 2015. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments.

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

**Note 17 – Significant Commitments**

***Encumbrances***

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

**Village of Newton Falls, Ohio**  
*Notes to the Basic Financial Statements*  
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<b>Governmental Funds</b>		<b>Proprietary Funds</b>	
General fund	\$42,269	Water fund	\$98,583
Court Computerization	21,554	Sewer fund	62,434
Other Governmental funds	103,180	Electric fund	31,218
<b>Total Governmental Funds</b>	<u><u>\$167,003</u></u>	<b>Total Proprietary Funds</b>	<u><u>\$192,235</u></u>

**Note 18 – Subsequent Events**

On June 26, 2014, the Village of Newton Falls retired \$2,495,000 on the electric bond anticipation note and reissued the note for \$2,295,000 payable at a rate of 1.10 percent.



# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, and 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, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 4, 2014, wherein we noted that the Village uses a special purpose framework other than generally accepted accounting principles.

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

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

December 4, 2014





# 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 23, 2014**