

VILLAGE OF NEWTON FALLS

TRUMBULL COUNTY

Regular Audit

For the Years Ended December 31, 2022 and 2021





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Village Council
Village of Newton Falls
612 W Broad St
Newton Falls, OH 44444

We have reviewed the *Independent Auditor's Report* of the Village of Newton Falls, Trumbull County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2021 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Newton Falls is responsible for compliance with these laws and regulations.

KEITH FABER
Ohio Auditor of State

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

July 28, 2025

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Village of Newton Falls
Trumbull County
Table of Contents
For the Years Ended December 31, 2022 and 2021

| Title | Page |
|---|-------------|
| Independent Auditor's Report | 1 |
| Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2022 | 4 |
| Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Proprietary Fund Types – For the Year Ended December 31, 2022 | 5 |
| Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) – Fiduciary Fund Type – For the Year Ended December 31, 2022 | 6 |
| Notes to the Financial Statements – For the Year Ended December 31, 2022 | 7 |
| Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2021 | 19 |
| Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Proprietary Fund Types – For the Year Ended December 31, 2021 | 20 |
| Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) – Fiduciary Fund Type – For the Year Ended December 31, 2021 | 21 |
| Notes to the Financial Statements – For the Year Ended December 31, 2021 | 22 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 33 |
| Schedule of Findings | 35 |
| Corrective Action Plan (Prepared by Management)..... | 36 |

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INDEPENDENT AUDITOR'S REPORT

Village of Newton Falls
Trumbull County
612 W Broad St
Newton Falls, OH 44444

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Newton Falls, Trumbull County, Ohio (the Village), which comprise the cash balances, receipts and disbursements for each governmental, proprietary and fiduciary fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental, proprietary and fiduciary fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2022 and 2021, or the changes in financial position or cash flows, thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 14 to the 2021 financial statements, the Village changed its accounting basis from accounting principles generally accepted in the United States of America (GAAP) to the Auditor of State regulatory basis of accounting. We did not modify our opinions regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Charles E. Harris & Associates, Inc.
May 7, 2025

Village of Newton Falls, Ohio
Trumbull County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2022

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|-------------------|---------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$ 285,535 | \$ 13,795 | \$ - | \$ 299,330 |
| Municipal Income Tax | 1,021,711 | - | - | 1,021,711 |
| Intergovernmental | 124,328 | 641,238 | - | 765,566 |
| Charges for Services | 366,238 | 97,754 | - | 463,992 |
| Fines, Licenses and Permits | 541,540 | 141,881 | - | 683,421 |
| Earnings on Investments | 22,375 | (3,940) | - | 18,435 |
| Miscellaneous | 85,041 | 8,488 | - | 93,529 |
| <i>Total Cash Receipts</i> | <u>2,446,768</u> | <u>899,216</u> | <u>-</u> | <u>3,345,984</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 640,792 | 271,492 | - | 912,284 |
| Leisure Time Activities | 5,041 | 8,532 | - | 13,573 |
| Community Environment | 84,557 | 6,733 | - | 91,290 |
| Transportation | - | 406,636 | - | 406,636 |
| General Government | 1,462,729 | 48,212 | - | 1,510,941 |
| Capital Outlay | 118,327 | 60,892 | - | 179,219 |
| Debt Service: | | | | |
| Principal Retirement | - | 49,095 | 66,721 | 115,816 |
| Interest and Fiscal Charges | - | 6,057 | 3,045 | 9,102 |
| <i>Total Cash Disbursements</i> | <u>2,311,446</u> | <u>857,649</u> | <u>69,766</u> | <u>3,238,861</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>135,322</u> | <u>41,567</u> | <u>(69,766)</u> | <u>107,123</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Sale of Capital Assets | 1,500 | - | - | 1,500 |
| Transfers In | - | 128,683 | 49,493 | 178,176 |
| Transfers Out | (178,176) | - | - | (178,176) |
| Advances In | 84,667 | - | - | 84,667 |
| Advances Out | (26,667) | (58,000) | - | (84,667) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(118,676)</u> | <u>70,683</u> | <u>49,493</u> | <u>1,500</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>16,646</u> | <u>112,250</u> | <u>(20,273)</u> | <u>108,623</u> |
| <i>Fund Cash Balances, January 1</i> | <u>331,859</u> | <u>2,046,239</u> | <u>9,414</u> | <u>2,387,512</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 348,505</u> | <u>\$ 2,158,489</u> | <u>\$ (10,859)</u> | <u>\$ 2,496,135</u> |

See accompanying notes to the financial statements.

Village of Newton Falls, Ohio
Trumbull County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2022

| | Proprietary Fund Types | | Totals |
|---|------------------------|-------------------|---------------------|
| | Enterprise | Internal Service | (Memorandum Only) |
| Operating Cash Receipts | | | |
| Charges for Services | \$ 9,383,551 | \$ 588,749 | \$ 9,972,300 |
| Miscellaneous | 194,556 | 240,397 | 434,953 |
| <i>Total Operating Cash Receipts</i> | <u>9,578,107</u> | <u>829,146</u> | <u>10,407,253</u> |
| Operating Cash Disbursements | | | |
| Personal Services | 960,611 | 83,267 | 1,043,878 |
| Employee Fringe Benefits | 431,370 | 40,177 | 471,547 |
| Contractual Services | 5,309,552 | 74,719 | 5,384,271 |
| Supplies and Materials | 433,087 | 20,133 | 453,220 |
| Claims | - | 612,366 | 612,366 |
| Other | 517,589 | - | 517,589 |
| <i>Total Operating Cash Disbursements</i> | <u>7,652,209</u> | <u>830,662</u> | <u>8,482,871</u> |
| <i>Operating Income (Loss)</i> | <u>1,925,898</u> | <u>(1,516)</u> | <u>1,924,382</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Earnings on Investments | (52,933) | - | (52,933) |
| Bond Issuance | 6,000,997 | - | 6,000,997 |
| Loans Issued | 455,000 | - | 455,000 |
| Capital Outlay | (385,289) | - | (385,289) |
| Excise Tax Payment - Electric | (163,415) | - | (163,415) |
| Principal Retirement | (7,324,396) | - | (7,324,396) |
| Bonds Issuance Costs | (6,302) | - | (6,302) |
| Interest and Other Fiscal Charges | (473,284) | - | (473,284) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(1,949,622)</u> | <u>-</u> | <u>(1,949,622)</u> |
| <i>Income (Loss) before Transfers and Advances</i> | <u>(23,724)</u> | <u>(1,516)</u> | <u>(25,240)</u> |
| Transfers In | 1,047,046 | - | 1,047,046 |
| Transfers Out | (1,047,046) | - | (1,047,046) |
| Advances In | 26,000 | - | 26,000 |
| Advances Out | (26,000) | - | (26,000) |
| <i>Net Change in Fund Cash Balances</i> | <u>(23,724)</u> | <u>(1,516)</u> | <u>(25,240)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>5,199,950</u> | <u>663,552</u> | <u>5,863,502</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 5,176,226</u> | <u>\$ 662,036</u> | <u>\$ 5,838,262</u> |

See accompanying notes to the financial statements.

Village of Newton Falls, Ohio
Trumbull County
Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2022

| | <u>Custodial</u> |
|---|-------------------------|
| Additions | |
| Fines, Forfeitures and Settlements for Distribution | <u>\$ 1,269,561</u> |
| <i>Total Additions</i> | <u>1,269,561</u> |
| Deductions | |
| Distributions to Other Governments | 693,190 |
| Distributions to Primary Government | <u>585,199</u> |
| <i>Total Deductions</i> | <u>1,278,389</u> |
| <i>Net Change in Fund Cash Balances</i> | (8,828) |
| <i>Fund Cash Balances, January 1</i> | <u>19,468</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$ 10,640</u></u> |

See accompanying notes to the financial statements.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The Village of Newton Falls (the Village), Trumbull County, 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 President of the Council and votes only to break a tie.

Due to a population drop in the 2010 census, the Village issued a proclamation according to section 703.06 of the Ohio Revised Code and is now to be known as a Village. However, the Village website, emblems, and organizational chart still say City.

The Village provides the following services to its citizens: general government services, street maintenance services, park and recreation services, water, sewer, electric and storm water utilities, and police services. The Village contracts with the Newton Falls Joint Fire District to provide fire protection services. Council has direct responsibility for these services.

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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types, and a statement of additions, deductions and changes in fund balances (regulatory cash basis) for the fiduciary fund type, which are organized on a fund type basis.

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 below:

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

ARPA Local Fiscal The ARPA fund uses American Relief monies from the State of Ohio to subsidize operations due to the Coronavirus.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Capital Improvement Fund The capital improvement fund accounts for and reports income tax revenues restricted for capital improvements for the police department, street construction, maintenance and repair, and for general purposes.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

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 Fund This fund accounts for services provided by one department to other departments of the government unit. The Village had two internal service funds. The self-insurance fund accounts for employee medical benefits and the utility office fund accounts for the activity of the utility office of the Village.

Fiduciary Funds Fiduciary funds include custodial funds. The Village's only custodial fund accounts for a portion of the municipal court activity that excludes the Village's portion.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

A summary of 2022 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds are recorded at share values the mutual funds report. The investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Leases

The Village is the lessee in various leases (as defined by GASB 87) related to vehicles and other equipment under noncancelable leases. Lease revenue/disbursements are recognized when they are received/paid.

Fund Balance

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

Nonspendable The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village.

Restricted Fund balance is 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.

Committed Council can commit amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

| 2022 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|--------------|--------------|---------------|
| Fund Type | Budgeted | Actual | Variance |
| | Receipts | Receipts | |
| General | \$ 3,713,295 | \$ 2,532,935 | \$(1,180,360) |
| Special Revenue | 1,191,269 | 1,027,899 | (163,370) |
| Capital Projects | 68,605 | 49,493 | (19,112) |
| Enterprise | 16,954,566 | 17,107,150 | 152,584 |
| Internal Service | 1,293,731 | 829,146 | (464,585) |

| 2022 Budgeted vs. Actual Budgetary Basis Disbursements | | | |
|--|---------------|---------------|------------|
| Fund Type | Appropriation | Budgetary | Variance |
| | Authority | Disbursements | |
| General | \$ 3,740,657 | \$ 2,806,970 | \$ 933,687 |
| Special Revenue | 1,104,106 | 917,399 | 186,707 |
| Capital Projects | 70,237 | 69,766 | 471 |
| Enterprise | 17,853,561 | 17,153,227 | 700,334 |
| Internal Service | 1,274,931 | 830,662 | 444,269 |

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 4 – Deposits and Investments (continued)

| | |
|--------------------------------|--------------|
| | 2022 |
| Demand deposits | \$ 1,817,350 |
| Money Market | 1,423 |
| Total deposits | 1,818,773 |
| Money Market mutual funds | 14,158 |
| Corporate bonds and notes | 4,788,092 |
| StarOhio | 1,726,860 |
| Total investments | 6,529,110 |
| Total deposits and investments | \$ 8,345,037 |

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2022, the Village does not hold any unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

A financial institution's trust department holds the Village's money market mutual funds, corporate bonds and notes, and asset backed securities in book-entry form in the Village's name. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Village.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 5 – Taxes (continued)

Income Taxes

The Village levies and collects a municipal income tax of 1% all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. In 2014, Council approved an ordinance which repealed the credit for taxes paid to another municipality in the Tax Code. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village either monthly or quarterly as required. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a return annually. In 2022, the net proceeds were allocated 80% to the general fund, 2% to the general reserve, 11.5% to the street, construction, repair and maintenance special revenue fund, 1.5% to the park and recreation special revenue fund, and 5% to the capital improvement capital projects fund.

Note 6 – Interfund Balances

Outstanding advances at December 31, 2022, consisted of \$53,333 advanced from the General Fund Reserve to the General Fund to provide necessary funds for day-to-day operations; \$58,000 advanced from the General Fund to the Permissive Auto Fund to provide necessary funds to pay for street resurfacing; and \$26,000 advanced from Sewer Reserve Fund to the Sewer Fund to provide necessary funds to repair a Water Clarifier Unit.

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. 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.

Employee Health Benefits

The Village provides employees with a health benefit plan insured through a third-party administrator. A portion of the Village's health plan design is self-insured, in that it provides benefits beyond those provided by the administrator. The maximum exposure for the self-insured portion of claims is \$30,000 per employee per year.

Risk Pool Membership

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

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2022, retention levels are \$100,000 for property and casualty coverages, respectively.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 7 – Risk Management (continued)

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

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2022.

| | |
|---------------------|---------------------|
| Assets | \$ 909,464 |
| Liabilities | <u>(1,109,394)</u> |
| Accumulated Surplus | <u>\$ (199,930)</u> |

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees, other than full-time police and firefighters, belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Ohio Police and Fire Retirement System

The Village's certified Fire Fighters and full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.5% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2022.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4% during calendar year 2022. OP&F contributes 0.5% to fund these benefits.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 10 – Debt

Debt outstanding at December 31, 2022, was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|----------------------|----------------------|
| AMI Certificates of Participation | \$ 2,530,000 | 2.40% |
| Ohio Public Works Commission Loans | 736,492 | 0.00% |
| Ohio Water Development Authority Loans | 206,445 | various |
| Mortgage Bonds | 6,000,997 | 4.38% |
| Electric Bond Anticipation Notes | 455,000 | 2.03% |
| 2020 Various Bonds (General) | 95,600 | 2.40% |
| Capital Leases | 404,041 | various |
| Total | <u>\$ 10,428,575</u> | |

In 2020, the Village opened an OPWC loan CF30X for \$180,063 for the First Street Mill and Fill project. This loan will be paid in bi-annual payments of \$9,003.15 until the final payment in 2032. This loan has no interest rate. This debt will be paid out of the Water Debt Service Fund.

During 2019, the Village issued a bond anticipation note for \$1,160,000 payable at a rate of 2.03%, for various improvements to the Broad Street Lighting, festival power, South Circuit voltage conversion and upgrade, Warren Road substation addition, Church Street substation addition, and Peak Shaving Generator back-up. In June 2022, the Village renewed this bond anticipation note for \$455,000 payable at a rate of 2.03%. This issuance matures in June 2023.

In 2005, the Village opened an OPWC loan CF21F for \$253,463 for the Broad Street Water Distribution Project. This loan will be paid in bi-annual payments of \$6,337 until the final payment in 2025. This loan does not have an interest rate. This debt will be paid out of the Water Debt Service Fund.

In 2006, the Village opened an OPWC loan CF28G for \$43,187 for the Water Main Valve Replacement. This loan will be paid in bi-annual payments of \$1,080 until the final payment in 2026. This loan does not have an interest rate. This debt will be paid out of the Water Debt Service Fund.

In 2015, the Village opened an OPWC loan CF12P for \$448,307 for the Elevated Water Storage Tank Rehabilitation. This loan will be paid in bi-annual payments of \$11,208 until the final payment in 2035. This loan does not have an interest rate. This debt will be paid out of the Water Debt Service Fund.

In 2019, the Village opened an OPWC loan CF07U for \$130,883 for the South Canal Waterline Ph V. This loan will be paid in bi-annual payments of \$3,272 until the final payment in 2039. This loan does not have an interest rate. This debt will be paid out of the Water Debt Service Fund.

In 2021, the Village opened a new OPWC loan CT26X for \$133,609 for the Washington Avenue Storm Sewer Improvements. This loan will be paid in bi-annual payments of \$3,340 starting in 2023 until the final payment in 2042. This loan does not have an interest rate. This debt will be paid out of the Sewer Enterprise Fund.

In 2005, the Village opened a new OPWC loan CF16F for \$186,493 for the Broad Street Storm Water Project. This loan will be paid in bi-annual payments of \$4,662 until the final payment in 2025. This loan does not have an interest rate. This debt will be paid out of the Stormwater Operations Fund.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 10 – Debt (continued)

In 2022, the Village refinanced mortgage revenue bonds for \$6,000,997 the Waste Water Treatment Plant Refi 2020 Series A and Series B. The bonds will be repaid in bi-annual installments starting in 2023 until the final payment in 2048. These bonds carry an interest rate of 3.26% and will be paid out of the Sewer Debt Service Fund.

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 expense. 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 for properties.

During 2020, the Village issued general obligation bonds for various purposes. The general obligations bonds mature in 2030 and carry an interest rate of 2.4%.

Certificates of Participation – During 2020, the Village entered into a lease agreement for \$3,128,000 with Huntington Bank for a water and electric meter replacement project. The lease is an annual lease subject to renewal for ten years through May 1, 2030. The certificates will be paid from the water and electric funds.

In 2022, the Village entered into a capital lease agreement with Caterpillar in the amount of \$125,119 for a new backhoe. This lease will be paid in bi-annual amounts of \$17,524 starting in 2023 until the final payment in 2026. This lease carries an interest rate of 5.199%.

In 2022, the Village entered into a capital lease agreement with Ford Motor Credit Company in the amount \$47,383 for the purchase of a new police interceptor. The lease will be paid in annual installments of \$13,322 starting in 2022, until the final payment in 2025. The lease carries an interest rate of 6.99%.

Leases

The Village leases buildings, vehicles and other equipment under noncancelable leases. The Village disbursed \$207,185 to pay lease costs for the year ended December 31, 2022.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 10 – Debt (continued)

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

| Year Ending December 31: | Capital Leases | AMI COPs | OPWC Loans | OWDA Loans | Mortgage Bonds | 2020 VP Bonds |
|-----------------------------|-------------------|---------------------|-------------------|-------------------|---------------------|-------------------|
| 2023 | \$ 123,114 | \$ 370,860 | \$ 77,803 | \$ 95,884 | \$ 178,734 | \$ 13,162 |
| 2024 | 109,539 | 371,324 | 77,803 | 97,292 | 357,467 | 13,096 |
| 2025 | 90,800 | 370,596 | 77,803 | 2,814 | 357,467 | 13,124 |
| 2026 | 77,578 | 369,712 | 54,726 | 2,814 | 357,467 | 13,144 |
| 2027 | 42,530 | 369,648 | 43,646 | 2,814 | 357,467 | 13,157 |
| 2028-2032 | - | 927,460 | 268,231 | 8,445 | 1,787,335 | 39,382 |
| 2033-2037 | - | - | 122,161 | - | 1,787,336 | - |
| 2038-2042 | - | - | 14,319 | - | 1,787,335 | - |
| 2043-2047 | - | - | - | - | 1,787,335 | - |
| 2048-2052 | - | - | - | - | 178,733 | - |
| 2053-2057 | - | - | - | - | - | - |
| Total | <u>\$ 443,561</u> | <u>\$ 2,779,600</u> | <u>\$ 736,492</u> | <u>\$ 210,063</u> | <u>\$ 8,936,676</u> | <u>\$ 105,065</u> |

American Municipal Power Generating Station Project (latest information available)

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

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

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 10 – Debt (continued)

Since March 31, 2014, the Village has made payments of \$277,549 to AMP toward its net impaired cost estimate. Also, since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$15,054 and interest expense incurred on AMP's line-of-credit of \$71,599, resulting in a net impaired cost estimate at December 31, 2020 of \$502,977. The Village does have a potential PHFU Liability of \$363,014 resulting in a net total potential liability of \$865,991, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village intends to recover these costs and repay AMP over the next 8 years through a power cost adjustment.

Note 11 – Contingent Liabilities

The Village is a defendant in several lawsuits. Although management cannot determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12– Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. 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 balances of these amounts were as follows:

| <u>Fund Balances</u> | <u>General</u> | <u>Special Revenue</u> | <u>Total</u> |
|--------------------------|------------------|----------------------------|------------------|
| Outstanding Encumbrances | \$290,681 | \$ 1,750 | \$292,431 |
| Nonspendable: | | | |
| Unclaimed Monies | 19,902 | - | 19,902 |
| Total | <u>\$310,583</u> | <u>\$ 1,750</u> | <u>\$312,333</u> |

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds is restricted, committed, or assigned. These restricted, committed and assigned amounts in the special revenue and capital projects funds include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021, while the national state of emergency ended in April 2023. During 2022, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Village of Newton Falls, Ohio
Trumbull County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|-------------------|---------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$ 264,332 | \$ 14,181 | \$ - | \$ 278,513 |
| Municipal Income Tax | 905,664 | - | - | 905,664 |
| Intergovernmental | 362,735 | 657,175 | - | 1,019,910 |
| Charges for Services | 362,953 | 105,004 | - | 467,957 |
| Fines, Licenses and Permits | 669,837 | 176,102 | - | 845,939 |
| Earnings on Investments | 190,406 | - | - | 190,406 |
| Miscellaneous | 42,025 | 7,181 | 1 | 49,207 |
| <i>Total Cash Receipts</i> | <u>2,797,952</u> | <u>959,643</u> | <u>1</u> | <u>3,757,596</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 778,430 | 267,578 | - | 1,046,008 |
| Leisure Time Activities | 3,722 | 20,104 | - | 23,826 |
| Community Environment | 129,748 | 14,470 | - | 144,218 |
| Transportation | - | 460,031 | - | 460,031 |
| General Government | 1,776,283 | 42,741 | - | 1,819,024 |
| Capital Outlay | 334,896 | 734,952 | 18,894 | 1,088,742 |
| Debt Service: | | | | |
| Principal Retirement | - | 51,820 | 55,993 | 107,813 |
| Interest and Fiscal Charges | - | - | 6,234 | 6,234 |
| <i>Total Cash Disbursements</i> | <u>3,023,079</u> | <u>1,591,696</u> | <u>81,121</u> | <u>4,695,896</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(225,127)</u> | <u>(632,053)</u> | <u>(81,120)</u> | <u>(938,300)</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Loans Issued | - | 408,609 | 227 | 408,836 |
| Transfers In | - | 153,826 | 68,779 | 222,605 |
| Transfers Out | (222,605) | - | - | (222,605) |
| Advances In | 80,000 | 116,000 | - | 196,000 |
| Advances Out | (196,000) | - | - | (196,000) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(338,605)</u> | <u>678,435</u> | <u>69,006</u> | <u>408,836</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(563,732)</u> | <u>46,382</u> | <u>(12,114)</u> | <u>(529,464)</u> |
| <i>Fund Cash Balances, January 1, Restated</i> | <u>895,591</u> | <u>1,999,857</u> | <u>21,528</u> | <u>2,916,976</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 331,859</u> | <u>\$ 2,046,239</u> | <u>\$ 9,414</u> | <u>\$ 2,387,512</u> |

See accompanying notes to the financial statements.

Village of Newton Falls, Ohio
Trumbull County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2021

| | Proprietary Fund Types | | Totals |
|---|------------------------|-------------------|---------------------|
| | Enterprise | Internal Service | (Memorandum Only) |
| Operating Cash Receipts | | | |
| Charges for Services | \$ 8,753,030 | \$ 1,011,130 | \$ 9,764,160 |
| Miscellaneous | 35,815 | 209,035 | 244,850 |
| <i>Total Operating Cash Receipts</i> | <u>8,788,845</u> | <u>1,220,165</u> | <u>10,009,010</u> |
| Operating Cash Disbursements | | | |
| Personal Services | 995,830 | 84,119 | 1,079,949 |
| Employee Fringe Benefits | 583,678 | 55,700 | 639,378 |
| Contractual Services | 4,708,406 | 85,795 | 4,794,201 |
| Supplies and Materials | 376,820 | 6,771 | 383,591 |
| Claims | - | 998,980 | 998,980 |
| Other | 887,983 | - | 887,983 |
| <i>Total Operating Cash Disbursements</i> | <u>7,552,717</u> | <u>1,231,365</u> | <u>8,784,082</u> |
| <i>Operating Income (Loss)</i> | <u>1,236,128</u> | <u>(11,200)</u> | <u>1,224,928</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Intergovernmental | (27,273) | - | (27,273) |
| Loans Issued | 690,000 | - | 690,000 |
| Capital Outlay | (1,973,529) | - | (1,973,529) |
| Excise Tax Payment - Electric | (164,553) | - | (164,553) |
| Principal Retirement | (1,782,680) | - | (1,782,680) |
| Bonds Issuance Costs | (6,776) | - | (6,776) |
| Interest and Other Fiscal Charges | (378,485) | - | (378,485) |
| Other Financing Uses | (13) | - | (13) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(3,643,309)</u> | <u>-</u> | <u>(3,643,309)</u> |
| <i>Income (Loss) before Transfers and Advances</i> | <u>(2,407,181)</u> | <u>(11,200)</u> | <u>(2,418,381)</u> |
| Transfers In | 1,233,024 | - | 1,233,024 |
| Transfers Out | (1,233,024) | - | (1,233,024) |
| Advances In | 52,000 | - | 52,000 |
| Advances Out | (52,000) | - | (52,000) |
| <i>Net Change in Fund Cash Balances</i> | <u>(2,407,181)</u> | <u>(11,200)</u> | <u>(2,418,381)</u> |
| <i>Fund Cash Balances, January 1, Restated</i> | <u>7,607,131</u> | <u>674,752</u> | <u>8,281,883</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 5,199,950</u> | <u>\$ 663,552</u> | <u>\$ 5,863,502</u> |

See accompanying notes to the financial statements.

Village of Newton Falls, Ohio
Trumbull County
Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2021

| | <u>Custodial</u> |
|---|-------------------------|
| Additions | |
| Fines, Forfeitures and Settlements for Distribution | <u>\$ 1,663,819</u> |
| <i>Total Additions</i> | <u>1,663,819</u> |
| Deductions | |
| Distributions to Other Governments | 905,237 |
| Distributions to Primary Government | <u>742,947</u> |
| <i>Total Deductions</i> | <u>1,648,184</u> |
| <i>Net Change in Fund Cash Balances</i> | 15,635 |
| <i>Fund Cash Balances, January 1, Restated</i> | <u>3,833</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$ 19,468</u></u> |

See accompanying notes to the financial statements.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The Village of Newton Falls (the Village), Trumbull County, 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 President of the Council and votes only to break a tie.

Due to a population drop in the 2010 census, the Village issued a proclamation according to section 703.06 of the Ohio Revised Code and is now to be known as a Village. However, the Village website, emblems, and organizational chart still say City.

The Village provides the following services to its citizens: general government services, street maintenance services, park and recreation services, water, sewer, electric and storm water utilities, and police services. The Village contracts with the Newton Falls Joint Fire District to provide fire protection services. Council has direct responsibility for these services.

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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types and a statement of additions, deductions and changes in fund balances (regulatory cash basis) for the fiduciary fund type, which are organized on a fund type basis.

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 below:

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Stormwater Operations Fund The stormwater operations fund accounts for and reports the storm water user's fee committed for storm water system maintenance and repairs within the Village.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Capital Improvement Fund The capital improvement fund accounts for and reports income tax revenues restricted for capital improvements for the police department, street construction, maintenance and repair, and for general purposes.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

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 Fund This fund accounts for services provided by one department to other departments of the government unit. The Village had two internal service funds. The self-insurance fund accounts for employee medical benefits and the utility office fund accounts for the activity of the utility office of the Village.

Fiduciary Funds Fiduciary funds include custodial funds. The Village's only custodial fund accounts for a portion of the municipal court activity that excludes the Village's portion.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2021 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds are recorded at share values the mutual funds report. The investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Nonspendable The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village.

Restricted Fund balance is 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.

Committed Council can commit amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

| 2021 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|-------------------|-----------------|--------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 3,808,843 | \$ 2,877,952 | \$ (930,891) |
| Special Revenue | 1,516,705 | 1,638,078 | 121,373 |
| Capital Projects | 68,615 | 69,007 | 392 |
| Enterprise | 11,899,087 | 10,763,869 | (1,135,218) |
| Internal Service | 1,264,600 | 1,220,165 | (44,435) |

| 2021 Budgeted vs. Actual Budgetary Basis Disbursements | | | |
|--|-------------------------|-------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Disbursements | Variance |
| General | \$ 4,430,113 | \$ 3,453,738 | \$ 976,375 |
| Special Revenue | 1,959,412 | 1,597,975 | 361,437 |
| Capital Projects | 81,229 | 81,121 | 108 |
| Enterprise | 16,136,691 | 13,271,912 | 2,864,779 |
| Internal Service | 1,289,331 | 1,234,260 | 55,071 |

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Deposits and Investments (continued)

| | |
|--|---------------------------|
| | <u>2021</u> |
| Demand deposits | \$ 363,670 |
| Other time deposits (savings and NOW accounts) | <u>231,405</u> |
| Total deposits | 595,075 |
| Money Market mutual funds | 4,729,742 |
| Corporate bonds and notes | 2,795,897 |
| Asset backed securities | <u>149,768</u> |
| Total investments | <u>7,675,407</u> |
| Total deposits and investments | <u><u>\$8,270,482</u></u> |

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the Village does not hold any unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

A financial institution's trust department holds the Village's money market mutual funds, corporate bonds and notes, and asset backed securities in book-entry form in the Village's name.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Village.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 5 – Taxes (continued)

Income Taxes

The Village levies and collects a municipal income tax of 1% all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. In 2014, Council approved an ordinance which repealed the credit for tax paid to another municipality in the Tax Code. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village either monthly or quarterly as required. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a return annually. In 2021, the net proceeds were allocated 80% to the general fund, 2% to the general reserve, 11.5% to the street, construction, repair and maintenance special revenue fund, 1.5% to the park and recreation special revenue fund, and 5% to the capital improvement capital projects fund.

Note 6 – Interfund Balances

Outstanding advances at December 31, 2021, consisted of \$80,000 advanced from the General Fund Reserve to the General Fund to provide necessary funds for day-to-day operations; \$116,000 advanced from the General Fund to the Permissive Auto Fund to provide necessary funds to pay for street resurfacing; and \$52,000 advanced from Sewer Reserve Fund to the Sewer Fund to provide necessary funds to repair a Water Clarifier Unit.

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. 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.

Employee Health Benefits

The Village provides employees with a health benefit plan insured through a third-party administrator. A portion of the Village's health plan design is self-insured, in that it provides benefits beyond those provided by the administrator. The maximum exposure for the self-insured portion of claims is \$10,000 per employee per year.

Risk Pool Membership

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

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2021, retention levels are \$100,000 for property and casualty coverages, respectively.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 7 – Risk Management (continued)

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

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2021.

| | |
|---------------------|-------------------|
| Assets | \$ 824,661 |
| Liabilities | <u>(554,038)</u> |
| Accumulated Surplus | <u>\$ 270,623</u> |

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees, other than full-time police and firefighters, belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Ohio Police and Fire Retirement System

The Village's certified Fire Fighters and full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.5% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2021.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4% during calendar year 2021. OP&F contributes 0.5% to fund these benefits.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and reemployed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 10 – Debt

Debt outstanding at December 31, 2021, was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|----------------------|----------------------|
| AMI Certificates of Participation | \$ 2,834,000 | 2.40% |
| Ohio Public Works Commission Loans | 801,954 | 0.00% |
| Ohio Water Development Authority Loans | 391,526 | various |
| Mortgage Bonds | 5,990,700 | 4.38% |
| Electric Bond Anticipation Notes | 690,000 | 2.03% |
| 2020 Various Bonds (General) | 106,300 | 2.40% |
| Capital Leases | 425,808 | various |
| Total | <u>\$ 11,240,288</u> | |

The Village has entered into contractual agreements totaling \$1,062,333 for the Broad Street water distribution, Broad Street stormwater, water main valve replacement, elevated water storage tank rehabilitation, and South Canal waterline Phase V loans from the Ohio Public Works Commission (OPWC), and totaling \$3,153,035 for the Warren Avenue combined sewer separation and water treatment plan improvement loans from the Ohio Water Development Authority (OWDA). Under the terms of these agreements, OPWC and OWDA will reimburse, advance or directly pay the construction costs of the approved projects. OPWC and OWDA will capitalize administrative costs and construction interest and then add them to the totals amounts of the final loans.

During 2019, the Village issued a bond anticipation note for \$1,160,000 payable at a rate of 2.03%, for various improvements to the Broad Street Lighting, festival power, South Circuit voltage conversion and upgrade, Warren Road substation addition, Church Street substation addition, and Peak Shaving Generator back-up. In June 2021, the Village renewed this bond anticipation note for \$690,000 payable at a rate of 2.03%. This issuance matures in June 2022.

During 2020, the Village entered into a new loan agreement with OPWC for the First Street Mill and Fill project. This loan has not been finalized and is not included in the amortization tables.

During 2021, the Village entered into a new loan agreement with OPWC for the Washington Avenue Storm Sewer Improvement project. This loan has not been finalized and is not included in the amortization tables.

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 expense. 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 for properties.

The Village has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans in the sewer enterprise fund. The debt is solely from net revenues and are payable through 2030. Annual principal payments on the debt issues are expected to require 2.89% of net revenues. The total principal remaining to be paid on the debt is \$61,404. Principal paid for the current year and total net revenues were \$12,139 and \$351,295, respectively.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 10 – Debt (continued)

The Village has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans in the water enterprise fund. The debt is solely from net revenues and are payable through 2034. Annual principal payments on the debt issues are expected to require 84.02% of net revenues. The total principal remaining to be paid on the debt is \$979,871. Principal paid for the current year and total net revenues were \$220,915 and \$77,095, respectively.

During 2020, the Village issued general obligation bonds for various purposes. The general obligations bonds mature in 2030 and carry an interest rate of 2.4%.

Certificates of Participation – During 2020, the Village entered into a lease agreement for \$3,128,000 with Huntington Bank for a water and electric meter replacement project. The lease is an annual lease subject to renewal for ten years through May 1, 2030. The certificates will be paid from the water and electric funds.

Leases

The Village leases buildings, vehicles and other equipment under noncancelable leases. The Village disbursed \$207,650 to pay lease costs for the year ended December 31, 2021.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

| Year Ending December 31: | Capital Leases | AMI COGs | OPWC Loans | OWDA Loans | Mortgage Bonds | 2020 VP Bonds |
|-----------------------------|-------------------|--------------------|------------------|------------------|---------------------|------------------|
| 2022 | \$ 193,962 | \$ 370,204 | \$ 53,117 | \$ 191,769 | \$ 382,494 | \$ 13,123 |
| 2023 | 74,843 | 370,860 | 53,116 | 191,769 | 382,426 | 13,162 |
| 2024 | 61,268 | 371,324 | 53,117 | 97,292 | 382,431 | 13,096 |
| 2025 | 42,529 | 370,596 | 53,116 | 2,814 | 382,496 | 13,123 |
| 2026 | 42,529 | 369,712 | 30,039 | 2,814 | 382,405 | 13,144 |
| 2027-2031 | 42,529 | 1,297,108 | 144,797 | 11,258 | 1,912,248 | 52,540 |
| 2032-2036 | - | - | 111,175 | - | 1,912,298 | - |
| 2037-2041 | - | - | 16,361 | - | 1,912,169 | - |
| 2042-2046 | - | - | - | - | 1,912,220 | - |
| 2047-2048 | - | - | - | - | 764,925 | - |
| Total | <u>\$457,660</u> | <u>\$3,149,804</u> | <u>\$514,838</u> | <u>\$497,716</u> | <u>\$10,326,112</u> | <u>\$118,188</u> |

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 10 – Debt (continued)

American Municipal Power Generating Station Project (latest information available)

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

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

Since March 31, 2014, the Village has made payments of \$277,549 to AMP toward its net impaired cost estimate. Also, since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$15,054 and interest expense incurred on AMP's line-of-credit of \$71,599, resulting in a net impaired cost estimate at December 31, 2020 of \$502,977. The Village does have a potential PHFU Liability of \$363,014 resulting in a net total potential liability of \$865,991, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village intends to recover these costs and repay AMP over the next 8 years through a power cost adjustment.

Note 11 – Contingent Liabilities

The Village is a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Village of Newton Falls, Ohio
Trumbull County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 12– Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. 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 balances of these amounts were as follows:

| <u>Fund Balances</u> | <u>General</u> | <u>Special Revenue</u> | <u>Total</u> |
|--------------------------|------------------|----------------------------|------------------|
| Outstanding Encumbrances | \$ 12,054 | \$ 6,279 | \$ 18,333 |
| Nonspendable: | | | |
| Unclaimed Monies | 19,860 | - | 19,860 |
| Total | <u>\$ 31,914</u> | <u>\$ 6,279</u> | <u>\$ 38,193</u> |

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds is restricted, committed, or assigned. These restricted, committed and assigned amounts in the special revenue and capital projects funds include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency ended in April 2023. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2021 the Village received funding from the American Rescue Plan Act (ARPA). Of the amount received, \$234,000 of the funds was spent.

Note 14 – Change in Basis of Accounting and Restatement of Net Position/Fund Equity

Last year, the Village reported financial statements using accounting principles generally accepted in the United States of America. This year the Village has implemented the Auditor of State basis of accounting described in Note 2. The fund financial statements now present each fund in a fund type category.

The Village removed the government-wide financial statements and removed all Generally Accepted Accounting Principles (GAAP) adjustments to the beginning fund balances to adjust to the regulatory cash basis amounts.

**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
612 W Broad St
Newton Falls, OH 44444

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental, proprietary and fiduciary fund type as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Village of Newton Falls, Trumbull County, (the Village) and have issued our report thereon dated May 7, 2025, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the Village changed its basis of accounting.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2022-001 to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 7, 2025.

Township's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Township's response to the finding identified in our audit and described in the accompanying Corrective Action Plan. The Township's response was not subject to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
May 7, 2025

Village of Newton Falls
Trumbull County
Schedule of Findings
For the Years Ended December 31, 2022 and 2021

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

Finding Number: 2022-001 – Material Weakness

Recording of Transactions and Audit Adjustments

During 2022 and 2021, the Village erroneously recorded numerous transactions. The more significant adjustments are as follows:

- In 2021, recorded \$1,717,309 of Enterprise Fund disbursements for AMI Metering Projects as excise tax payment-electric instead of capital outlay.
- In 2021, recorded \$150,563 of Enterprise Fund excise tax payments as intergovernmental instead of excise tax payments-electric.
- In 2021, the Village did not record \$133,609 of Special Revenue Fund loans issued for an OPWC Loan, with the corresponding offset to capital outlay.
- In 2021, \$275,000 and \$227 of loan proceeds were posted as sale of bonds revenue in the Special Revenue and Capital Projects Funds, respectively, instead of loans issued.
- In 2021, \$2,117 of interest payments were posted as principal retirement in the Enterprise Fund instead of interest and other fiscal charges.
- In 2021 and 2022, \$717,977 and \$811,692, respectively, of intra-fund income tax transfers in the General Fund were posted as transfers in and transfers out.
- In 2021 and 2022, the activity of the Village Court Custodial Fund was not reported in the Village financial report.
- In 2022 and 2021, \$455,000 and \$690,000, respectively, of bond anticipation notes were recorded at net principal payment rather than at gross value of the new loan issued and the principal paid on the old issue.
- In 2022, \$5,870,300 in principal retirement and \$130,697 in interest and fiscal charges were not posted when the Village refinanced a mortgage bond. The offsetting new bond issuance amount of \$6,000,997 was not posted as bond issuance.
- In 2022, the Village did not post \$3,751 of miscellaneous revenue in the General Fund, which caused the fund cash balance at year end to be understated by \$3,751.
- In 2022, \$64,371 of investment income was posted as an extraordinary item rather than earnings on investment.
- The Village's budgetary footnotes were modified due to audit adjustments. The Village's debt footnotes were modified to present accurate principal and interest balances, as well as accurate amortizations schedules. Other changes were necessary to correct various other items in the footnotes.

The accompanying financial statements and the Village's records have been adjusted to properly reflect these transactions. Failure to report transactions correctly results in the financial statements not being accurately presented. We recommend that the Fiscal Officer follow the Village Officer's Handbook and other Auditor of State guidance to properly classify its transactions. In addition, we recommend the Fiscal Officer review all financial reports compiled to ensure their accuracy, including the budgetary information.

Management's Response:

See Corrective Action Plan.

Village of Newton Falls
Trumbull County
Corrective Action Plan
For the Years Ended December 31, 2022 and 2021
Prepared by Management

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|-----------------------|---|------------------------------------|---------------------------------------|
| 2022-001 | This finding relates to errors made by previous administrations. As the new Finance Director, I'm reviewing past entries and making corrections where needed. We're also updating our procedures, training staff to ensure things are done correctly going forward, and putting regular reviews in place to catch any issues early. | Immediately | Jamie Vernaccini, Finance Director |

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF NEWTON FALLS

TRUMBULL COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/7/2025

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov