

***VILLAGE OF NEWTON FALLS
TRUMBULL COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2021***



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	42,011	7,181	1	49,193
<i>Total Cash Receipts</i>	<u>2,797,938</u>	<u>959,643</u>	<u>1</u>	<u>3,757,582</u>
Cash Disbursements				
Current:				
Security of Persons and Property	778,430	267,578	-	1,046,008
Public Health Services	-	-	-	-
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	601,343	18,895	955,134
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>1,458,087</u>	<u>81,122</u>	<u>4,562,288</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(225,141)</u>	<u>(498,444)</u>	<u>(81,121)</u>	<u>(804,706)</u>
Other Financing Receipts (Disbursements)				
Sale of Bonds	-	275,000	227	275,227
Transfers In	717,991	153,826	68,779	940,596
Transfers Out	(940,582)	(2,464)	-	(943,046)
Advances In	80,000	116,000	-	196,000
Advances Out	(196,000)	-	-	(196,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(338,591)</u>	<u>542,362</u>	<u>69,006</u>	<u>272,777</u>
<i>Net Change in Fund Cash Balances</i>	(563,732)	43,918	(12,115)	(531,929)
<i>Fund Cash Balances, January 1</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>\$ 2,043,775</u>	<u>\$ 9,413</u>	<u>\$ 2,385,047</u>

See accompanying notes to the basic 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	35,497	209,035	244,532
<i>Total Operating Cash Receipts</i>	<u>8,788,527</u>	<u>1,220,165</u>	<u>10,008,692</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>1,235,810</u>	<u>(11,200)</u>	<u>1,224,610</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	(177,836)	-	(177,836)
Capital Outlay	(256,220)	-	(256,220)
Excise Tax Payment - Electric	(1,731,299)	-	(1,731,299)
Principal Retirement	(1,094,797)	-	(1,094,797)
Bonds Issuance Costs	(6,776)	-	(6,776)
Interest and Other Fiscal Charges	(376,368)	-	(376,368)
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 Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(2,407,499)</u>	<u>(11,200)</u>	<u>(2,418,699)</u>
Transfers In	1,235,806	-	1,235,806
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>(2,404,717)</u>	<u>(11,200)</u>	<u>(2,415,917)</u>
<i>Fund Cash Balances, January 1</i>	<u>7,607,131</u>	<u>674,752</u>	<u>8,281,883</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 5,202,414</u>	<u>\$ 663,552</u>	<u>\$ 5,865,966</u>

See accompanying notes to the basic 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, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all 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.

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)

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.

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 funds:

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 sewer 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 governmental activities internal service fund accounts for the self-insurance program for employee medical benefits and the business-type activities internal service fund accounts for utility office activity.

Fiduciary Funds Fiduciary funds include private purpose trust funds, investment trust funds, and 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 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 (D) permit.

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)

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. The 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.

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.

The Village values U.S. Treasury Notes and common stock at cost or fair value when donated. Money market mutual funds are recorded at share values the mutual funds report. 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:

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)

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 and the nonexpendable portion of the corpus in permanent funds.

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). The Village must adhere to these commitments unless the Council amends the resolution. 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.

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 13.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2021 follows:

Fund Type	2021 Budgeted vs. Actual Receipts		Variance
	Budgeted Receipts	Actual Receipts	
General	\$ 3,808,843	\$ 3,515,929	\$ (292,914)
Special Reveune	1,516,705	1,388,469	(128,236)
Capital Projects	68,615	69,007	392
Enterprise	11,209,087	10,024,333	(1,184,754)
Internal Service Fund	1,264,600	1,220,165	(44,435)

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

Note 3 – Budgetary Activity (continued)

2021 Budgeted vs. Actual Budgetary Basis Disbursements			
	Appropriation	Budgetary	
Fund Type	Authority	Disbursements	Variance
General	\$ 4,430,113	\$ 3,975,715	\$ 454,398
Special Revenue	1,959,412	1,466,830	492,582
Capital Projects	81,229	81,122	107
Enterprise	15,446,691	12,529,912	2,916,779
Internal Service Fund	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:

	2021
Demand deposits	\$ 344,201
Other time deposits (savings and NOW accounts)	231,405
Total deposits	575,606
Money Market mutual funds	4,729,742
Corporate bonds and notes	2,795,897
Asset backed securities	149,768
Total investments	7,675,407
Total deposits and investments	\$ 8,251,013

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 equity securities in book-entry form in the Village's name.

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

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.

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. This was in effect for the 2014 tax year and thereafter. 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 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.

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

Note 7 – Transfers

Transfers for the year ended December 31, 2021 consisted of the following:

Transfer to	Transfers From						Total
	General	Income Tax	Parks and Recreation	Water	Sewer	Electric	
General Fund	\$ -	\$ 700,465	\$ -	\$ -	\$ -	\$ -	\$ 700,465
General Fund Reserve	-	17,512	-	-	-	-	17,512
Street CMR Fund	40,000	100,692	-	-	-	-	140,692
Parks and Recreation	-	13,134	-	-	-	-	13,134
Capital Improvement	25,000	43,779	-	-	-	-	68,779
	<u>65,000</u>	<u>875,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>940,582</u>
Business-type activities:							
Sewer Debt Service	-	-	-	-	396,000	-	396,000
Electric Debt Service	-	-	-	-	-	306,000	306,000
Water Debt Service	-	-	-	116,373	-	-	116,373
Sewer Reserve	-	-	-	-	31,917	-	31,917
Debt Retire 2020 Bond	-	-	2,464	255,770	12,053	114,911	385,198
	<u>-</u>	<u>-</u>	<u>2,464</u>	<u>372,143</u>	<u>439,970</u>	<u>420,911</u>	<u>1,235,488</u>
Total	<u>\$ 65,000</u>	<u>\$ 875,582</u>	<u>\$ 2,464</u>	<u>\$372,143</u>	<u>\$439,970</u>	<u>\$420,911</u>	<u>\$ 2,176,070</u>

Note 8 – 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 Ohio Mutual. A portion of the Village's health plan design is self-insured. In that it provides benefits beyond those provided by Ohio Mutual. The maximum exposure for the self-insured portion of claims is \$10,000 per employee per year. These claims are administered by the Ohio Public Entity Consortium.

Risk Pool Membership

The Government 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.

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

Note 8 – Risk Management (continued)

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.

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><u>270,623</u></u>

Note 9 – 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 and 24% of full-time fire fighters' wages. The Village has paid all contributions required through December 31, 2021.

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

Note 10 – 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.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 11 – 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	514,838	0.00%
Ohio Water Development Authority Loans	482,705	various
Mortgage Bonds	5,990,700	4.38%
2020 Various Bonds (General)	106,300	2.40%
Capital Leases	<u>390,031</u>	various
Total	<u>10,318,574</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 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.

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

Note 11 – Debt (continued)

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.

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.

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

Note 11 – Debt (continued)

Amortization

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

Year ending December 31:	Capital Leases	AMI COGs	OPWC Loans	ODWA 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	-	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	-
	<u>\$ 415,131</u>	<u>\$3,149,804</u>	<u>\$ 514,838</u>	<u>\$ 497,716</u>	<u>\$10,326,112</u>	<u>\$ 118,188</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.

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Note 11 – 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 12 – 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.

Note 13– 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 and the unexpendable corpus of the permanent funds. 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:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$12,054	\$ 6,279	\$ 18,333

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects fund are 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.

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Note 14 – 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 continues. 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 15 – Change in Basis of Accounting and Restatement of Net Position/Fund Equity

Last year the Village reported fund 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 cash basis amounts.