



Dave Yost • Auditor of State

VILLAGE OF NEW BOSTON
SCIOTO COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of New Boston
Scioto County
3980 Rhodes Avenue
New Boston, Ohio 45662

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of New Boston, Scioto County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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* paragraph, the financial statements referred to above 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, 2012 and 2011, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of New Boston, Scioto County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Village of New Boston adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 24, 2013

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$198,147	\$98,502	\$41,087	\$249,412	\$587,148
Municipal Income Tax	1,193,288	305,588	0	30,559	1,529,435
Intergovernmental	157,247	225,072	2,606		384,925
Charges for Services	19,774	1,577			21,351
Fines, Licenses and Permits	59,410	2,955			62,365
Earnings on Investments	401	100			501
Miscellaneous	82,495	21,542			104,037
<i>Total Cash Receipts</i>	<u>1,710,762</u>	<u>655,336</u>	<u>43,693</u>	<u>279,971</u>	<u>2,689,762</u>
Cash Disbursements					
Current:					
Security of Persons and Property	485,472	352,256			837,728
Public Health Services	19,495				19,495
Leisure Time Activities	27,937				27,937
Community Environment		21,324			21,324
Basic Utility Services	172,542	46,986			219,528
Transportation	43,248	74,861			118,109
General Government	955,836	90,618	1,042	9,957	1,057,453
Capital Outlay	23,978			327,294	351,272
Debt Service:					
Principal Retirement			412,554		412,554
Interest and Fiscal Charges			22,826		22,826
<i>Total Cash Disbursements</i>	<u>1,728,508</u>	<u>586,045</u>	<u>436,422</u>	<u>337,251</u>	<u>3,088,226</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,746)</u>	<u>69,291</u>	<u>(392,729)</u>	<u>(57,280)</u>	<u>(398,464)</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds				85,000	85,000
Sale of Capital Assets	808				808
Transfers In	56,259	29,500	393,750		479,509
Transfers Out	(44,500)	(56,259)		(378,750)	(479,509)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>12,567</u>	<u>(26,759)</u>	<u>393,750</u>	<u>(293,750)</u>	<u>85,808</u>
Special Item	2,051				2,051
Extraordinary Item		7,099			7,099
<i>Net Change in Fund Cash Balances</i>	<u>(3,128)</u>	<u>49,631</u>	<u>1,021</u>	<u>(351,030)</u>	<u>(303,506)</u>
<i>Fund Cash Balances, January 1</i>	<u>271,930</u>	<u>179,575</u>	<u>6,872</u>	<u>566,969</u>	<u>1,025,346</u>
Fund Cash Balances, December 31					
Restricted	0	229,206	7,893	215,939	453,038
Unassigned (Deficit)	268,802	0	0	0	268,802
<i>Fund Cash Balances, December 31</i>	<u>\$268,802</u>	<u>\$229,206</u>	<u>\$7,893</u>	<u>\$215,939</u>	<u>\$721,840</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Fiduciary Fund Types		Totals
	Agency	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Miscellaneous	\$0	\$2,050	\$2,050
<i>Total Operating Cash Receipts</i>	0	2,050	2,050
Operating Cash Disbursements			
Other		4,480	4,480
<i>Total Operating Cash Disbursements</i>	0	4,480	4,480
<i>Operating Income (Loss)</i>	0	(2,430)	(2,430)
Non-Operating Receipts (Disbursements)			
Other Non-Operating Cash Receipts	49,279		49,279
Other Non-Operating Cash Disbursements	(49,643)		(49,643)
<i>Total Non-Operating Receipts (Disbursements)</i>	(364)	0	(364)
<i>Net Change in Fund Cash Balances</i>	(364)	(2,430)	(2,794)
<i>Fund Cash Balances, January 1</i>	4,028	5,245	9,273
<i>Fund Cash Balances, December 31</i>	<u>\$3,664</u>	<u>\$2,815</u>	<u>\$6,479</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$234,622	\$112,345	\$46,596	\$292,300	\$685,863
Municipal Income Tax	1,085,287	279,023		27,815	1,392,125
Intergovernmental	215,026	131,348	1,298		347,672
Charges for Services	28,253	898			29,151
Fines, Licenses and Permits	63,818	880			64,698
Earnings on Investments	370	95			465
Miscellaneous	61,213	25,142		13,600	99,955
<i>Total Cash Receipts</i>	<u>1,688,589</u>	<u>549,731</u>	<u>47,894</u>	<u>333,715</u>	<u>2,619,929</u>
Cash Disbursements					
Current:					
Security of Persons and Property	399,583	377,152			776,735
Public Health Services	20,119				20,119
Leisure Time Activities	19,809				19,809
Community Environment		35,785			35,785
Basic Utility Services	192,300	84,561			276,861
Transportation	47,993	90,391			138,384
General Government	935,537	19,636	925	31,734	987,832
Capital Outlay		23,023		97,458	120,481
Debt Service:					
Principal Retirement			140,259		140,259
Interest and Fiscal Charges			22,471		22,471
<i>Total Cash Disbursements</i>	<u>1,615,341</u>	<u>630,548</u>	<u>163,655</u>	<u>129,192</u>	<u>2,538,736</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>73,248</u>	<u>(80,817)</u>	<u>(115,761)</u>	<u>204,523</u>	<u>81,193</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds				215,012	215,012
Sale of Capital Assets	2,940				2,940
Transfers In		41,711	119,370		161,081
Transfers Out	(41,711)			(119,370)	(161,081)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(38,771)</u>	<u>41,711</u>	<u>119,370</u>	<u>95,642</u>	<u>217,952</u>
Special Item		180			180
<i>Net Change in Fund Cash Balances</i>	34,477	(38,926)	3,609	300,165	299,325
<i>Fund Cash Balances, January 1</i>	<u>237,453</u>	<u>218,501</u>	<u>3,263</u>	<u>266,804</u>	<u>726,021</u>
Fund Cash Balances, December 31					
Restricted	0	179,575	6,872	566,969	753,416
Unassigned (Deficit)	271,930	0	0	0	271,930
<i>Fund Cash Balances, December 31</i>	<u>\$271,930</u>	<u>\$179,575</u>	<u>\$6,872</u>	<u>\$566,969</u>	<u>\$1,025,346</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Fiduciary Fund Types		Totals
	Agency	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Miscellaneous	\$0	\$2,730	\$2,730
<i>Total Operating Cash Receipts</i>	<u>0</u>	<u>2,730</u>	<u>2,730</u>
Operating Cash Disbursements			
Other		2,799	2,799
<i>Total Operating Cash Disbursements</i>	<u>0</u>	<u>2,799</u>	<u>2,799</u>
<i>Operating Income (Loss)</i>	<u>0</u>	<u>(69)</u>	<u>(69)</u>
Non-Operating Receipts (Disbursements)			
Other Non-Operating Cash Receipts	56,051		56,051
Other Non-Operating Cash Disbursements	(53,878)		(53,878)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>2,173</u>	<u>0</u>	<u>2,173</u>
<i>Net Change in Fund Cash Balances</i>	2,173	(69)	2,104
<i>Fund Cash Balances, January 1</i>	<u>1,855</u>	<u>5,314</u>	<u>7,169</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$4,028</u></u>	<u><u>\$5,245</u></u>	<u><u>\$9,273</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of New Boston, Scioto County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides services that include maintenance of streets and highways, fire protection, police services, garbage services, and park operations.

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. Note 10 to the financial statements provides additional information for this entity.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

C. Deposits and Investments

During the period the Village maintained a general checking account and Mayor's Court checking account.

The Village had no investments.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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 Fund:

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Safety Tax Fund – This fund receives municipal income tax money for police and fire salaries.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

General Obligation Fund – This fund receives tax levy monies and other intergovernmental revenues to pay principal and interest on the general obligation note.

4. 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 – This fund receives municipal income tax money to fund capital acquisitions and improvements for the Village.

Floodwall Improvement Fund – This fund receives loan money from bonds for floodwall improvement.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Warren Trust Fund – This trust fund receives donations and is used for the benefit of the citizens of the Village of New Boston.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court.

Mayor's Court Fund – This fund accounts for the financial activity of Mayor's Court and is classified as an Agency Fund.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. 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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. 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 also approve estimated resources.

3. 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

2. 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.

VILLAGE OF NEW BOSTON
SCIOTO COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

F. **Fund Balance (Continued)**

3. **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.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **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.

G. **Property, Plant, and Equipment**

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

H. **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.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Equity in Pooled Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits investments at December 31 was as follows:

	2011	2012
Demand deposits	\$1,034,619	\$728,319
Total deposits	\$1,034,619	\$728,319

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,652,400	\$1,769,880	\$117,480
Special Revenue	708,680	691,935	(16,745)
Debt Service	436,750	437,443	693
Capital Projects	343,000	364,971	21,971
Trust	0	2,050	2,050
Total	\$3,140,830	\$3,266,279	\$125,449

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,909,145	\$1,773,008	\$136,137
Special Revenue	693,326	642,304	51,022
Debt Service	438,885	436,422	2,463
Capital Projects	740,308	716,001	24,307
Trust	5,245	4,480	765
Total	\$3,786,909	\$3,572,215	\$214,694

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,718,642	\$1,691,529	(\$27,113)
Special Revenue	599,430	591,622	(7,808)
Debt Service	162,370	167,264	4,894
Capital Projects	446,270	548,727	102,457
Trust	0	2,730	2,730
Total	\$2,926,712	\$3,001,872	\$75,160

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,830,597	\$1,657,052	\$173,545
Special Revenue	667,709	630,548	37,161
Debt Service	163,655	163,655	0
Capital Projects	471,196	248,562	222,634
Trust	5,314	2,799	2,515
Total	\$3,138,471	\$2,702,616	\$435,855

4. Property Tax

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 homestead and rollback deductions. The financial statements include homestead and rollback 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Local Income Tax

The Village levies a municipal income tax of 2.5 percent on substantially 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.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Street Improvement Notes Series 2008	\$200,000	4.50%
Loan: Street Equipment	\$3,599	4.52%
Floodwall Improvement Bonds	279,584	3.75%
Total	\$483,183	

The Street Improvement Notes were for a Development Project that would improve streets for new development. The Notes were issued in 2007 with an interest rate of 4.5%. The Notes are payable once a year with interest due yearly. The Notes are to be paid down every year for 10 years.

The Street Equipment loan was for three Pickup Trucks, one dump truck, and a street sweeper. The loan was issued in 2008 with an interest rate of 4.52% with principal and interest payments of \$3,613 due monthly.

The Floodwall Improvement Bonds were to upgrade and get certification for the levies. The bonds were issued at an interest rate of 3.75% with principal and interest payment due monthly.

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

	Street Improvement	Street Equipment	Floodwall Improvement
Year ending December 31:			
2013	\$209,000	\$3,613	\$36,022
2014			36,022
2015			36,022
2016			36,022
2017			36,022
2018-2022			150,826
Total	\$209,000	\$3,613	\$330,936

The Village participates in a Tax Increment Financing (TIF) agreement. This agreement is for Street Improvements Notes and are described above. The amortization schedule for the Street Improvement Notes are included above. This debt is general obligation securities of the issuer and the subdivisions overlapping it which are payable from taxes.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

Future TIF service payments are due from property owners in the same years and for approximately the same amounts as debt service payments.

7. Retirement Systems

The Village's law enforcement officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, 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, respectively. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

8. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available):

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Risk Management (Continued)

	2011	2010
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above included approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$24,000.

Based on discussion with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become dues, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
<u>2011</u>	<u>2010</u>
\$26,605	\$ 41,973

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. 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.

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

Village of New Boston
Scioto County
3980 Rhodes Avenue
New Boston, Ohio 45662

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of New Boston, Scioto County, Ohio (the Village), as of and for the years ended December 31, 2012, and 2011, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Village has adopted Governmental Accounting Standards Board Statement No. 54.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control. We consider finding 2012-002 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of

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noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2012-001.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

June 24, 2013

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare so-called "blanket" certificates not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Eighteen percent of the transactions tested in 2012 and 2011 were not certified by the Clerk-Treasurer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-001 (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village obtain the Clerk-Treasurer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Clerk-Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

The Village Clerk will notify the department heads and the employees that this is a problem area so that they can help with the purchase order problem.

FINDING NUMBER 2012-002

Significant Deficiency

The Mayor's Court Clerk did not reconcile the Mayor's Court bank account in 2011 and 2012. This could and did result in cumbersome reconciliations and errors in the account going undetected for an extended period of time. These errors included the following items:

Disbursements of bonds to individuals were not shown on the monthly fund report. Monthly disbursement reports need to be amended to show amount of bond disbursements for each month. Bonds paid back each month are not recorded in the Mayor's Court computer system. The disbursement amount for bonds are only shown in the check register and have to manually be added to the system amounts in order to reconcile.

There was a variance of \$3 from what is on the December 31, 2011 bank statement and what is recorded in the computer system. There was a variance of \$10 from what is on the December 31, 2012 bank statement and what is recorded in the computer system.

This could result in the Mayor's Court fund balance in the computer system not being in balance with the bank statements.

We recommend the Mayor's Court Clerk perform monthly bank reconciliations.

Officials' Response:

We did not receive a response from Officials to this finding.

VILLAGE OF NEW BOSTON
SCIOTO COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Revenues were posted to inaccurate line items.	No.	Will reissue as a management letter comment.

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VILLAGE OF NEW BOSTON

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 9, 2013**