



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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of New Boston, Scioto County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013.

### ***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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

### ***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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2014 and 2013, or changes in financial position thereof for the years 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, 2014 and 2013, 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(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2016, 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 16, 2016

**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, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$230,169	\$111,938	\$46,152		\$388,259
Municipal Income Tax	1,131,672	290,172		29,017	1,450,861
Intergovernmental	116,181	119,753	6,448	1,632,905	1,875,287
Charges for Services	25,272	1,495	40,785		67,552
Fines, Licenses and Permits	54,906	4,117			59,023
Earnings on Investments	42	23			65
Miscellaneous	76,737	15,734			92,471
<i>Total Cash Receipts</i>	<u>1,634,979</u>	<u>543,232</u>	<u>93,385</u>	<u>1,661,922</u>	<u>3,933,518</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	501,593	491,933			993,526
Public Health Services	20,902				20,902
Leisure Time Activities	12,091				12,091
Community Environment		8,635			8,635
Basic Utility Services	197,022	50,112			247,134
Transportation	92,874	75,685			168,559
General Government	1,066,353	21,304	1,000	1,878	1,090,535
Capital Outlay	159,190			2,519,331	2,678,521
Debt Service:					
Principal Retirement			46,602	2,011,526	2,058,128
Interest and Fiscal Charges			11,837		11,837
<i>Total Cash Disbursements</i>	<u>2,050,025</u>	<u>647,669</u>	<u>59,439</u>	<u>4,532,735</u>	<u>7,289,868</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(415,046)</u>	<u>(104,437)</u>	<u>33,946</u>	<u>(2,870,813)</u>	<u>(3,356,350)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Proceeds of Loans	159,190			2,891,431	3,050,621
Sale of Capital Assets	1				1
Transfers In		30,750	22,697	20,000	73,447
Transfers Out	(73,447)				(73,447)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>85,744</u>	<u>30,750</u>	<u>22,697</u>	<u>2,911,431</u>	<u>3,050,622</u>
<i>Net Change in Fund Cash Balances</i>	<u>(329,302)</u>	<u>(73,687)</u>	<u>56,643</u>	<u>40,618</u>	<u>(305,728)</u>
<i>Fund Cash Balances, January 1</i>	<u>405,784</u>	<u>246,833</u>	<u>14,722</u>	<u>79,849</u>	<u>747,188</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		173,146	71,365	120,467	364,978
Unassigned	76,482				76,482
<i>Fund Cash Balances, December 31</i>	<u>\$76,482</u>	<u>\$173,146</u>	<u>\$71,365</u>	<u>\$120,467</u>	<u>\$441,460</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, 2014**

	Fiduciary Fund Types		Totals
	Agency	Private Purpose Trust	(Memorandum Only)
<b>Operating Cash Disbursements</b>			
Other		4,044	4,044
<i>Total Operating Cash Disbursements</i>	0	4,044	4,044
<i>Operating Income (Loss)</i>	0	(4,044)	(4,044)
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts		14,390	14,390
Other Financing Sources	35,221		35,221
Other Financing Uses	(38,051)		(38,051)
<i>Total Non-Operating Receipts (Disbursements)</i>	(2,830)	14,390	11,560
<i>Net Change in Fund Cash Balances</i>	(2,830)	10,346	7,516
<i>Fund Cash Balances, January 1</i>	2,804	1,595	4,399
<i>Fund Cash Balances, December 31</i>	<u>(\$26)</u>	<u>\$11,941</u>	<u>\$11,915</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, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$198,094	\$96,749	\$41,997	\$247,717	\$584,557
Municipal Income Tax	1,200,588	308,107		30,687	1,539,382
Intergovernmental	139,850	80,518	4,801		225,169
Charges for Services	22,957	1,768			24,725
Fines, Licenses and Permits	59,642	5,847			65,489
Earnings on Investments	195	58			253
Miscellaneous	23,711	22,053			45,764
<i>Total Cash Receipts</i>	<u>1,645,037</u>	<u>515,100</u>	<u>46,798</u>	<u>278,404</u>	<u>2,485,339</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	461,280	349,161			810,441
Public Health Services	19,352				19,352
Leisure Time Activities	19,217				19,217
Community Environment		20,279			20,279
Basic Utility Services	183,481	43,076			226,557
Transportation	33,026	95,722			128,748
General Government	955,537	19,345	600	6,982	982,464
Capital Outlay				398,820	398,820
Debt Service:					
Principal Retirement			230,054		230,054
Interest and Fiscal Charges			13,115		13,115
<i>Total Cash Disbursements</i>	<u>1,671,893</u>	<u>527,583</u>	<u>243,769</u>	<u>405,802</u>	<u>2,849,047</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(26,856)</u>	<u>(12,483)</u>	<u>(196,971)</u>	<u>(127,398)</u>	<u>(363,708)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Insurance Proceeds		10,110			10,110
Proceeds of Loans				378,621	378,621
Sale of Capital Assets	200				200
Transfers In	183,638	20,000	203,800	39,720	447,158
Transfers Out	(20,000)			(427,158)	(447,158)
Other Financing Sources				125	125
<i>Total Other Financing Receipts (Disbursements)</i>	<u>163,838</u>	<u>30,110</u>	<u>203,800</u>	<u>(8,692)</u>	<u>389,056</u>
<i>Net Change in Fund Cash Balances</i>	136,982	17,627	6,829	(136,090)	25,348
<i>Fund Cash Balances, January 1</i>	<u>268,802</u>	<u>229,206</u>	<u>7,893</u>	<u>215,939</u>	<u>721,840</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		246,833	14,722	79,849	341,404
Unassigned	405,784				405,784
<i>Fund Cash Balances, December 31</i>	<u>\$405,784</u>	<u>\$246,833</u>	<u>\$14,722</u>	<u>\$79,849</u>	<u>\$747,188</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, 2013**

	Fiduciary Fund Types		Totals
	Agency	Private Purpose Trust	(Memorandum Only)
<b>Operating Cash Disbursements</b>			
Other		2,220	2,220
<i>Total Operating Cash Disbursements</i>	0	2,220	2,220
<i>Operating Income (Loss)</i>	0	(2,220)	(2,220)
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts		1,000	1,000
Other Financing Sources	44,710		44,710
Other Financing Uses	(45,570)		(45,570)
<i>Total Non-Operating Receipts (Disbursements)</i>	(860)	1,000	140
<i>Net Change in Fund Cash Balances</i>	(860)	(1,220)	(2,080)
<i>Fund Cash Balances, January 1</i>	3,664	2,815	6,479
<i>Fund Cash Balances, December 31</i>	\$2,804	\$1,595	\$4,399

*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, 2014 AND 2013**

**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 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), a risk-sharing pool available to Ohio local governments. Note 8 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 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.

**C. Deposits and Investments**

The Village has one primary interest bearing checking account, a Mayor's Court checking account and 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:

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

**VILLAGE OF NEW BOSTON  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**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 Fund:

Combined Sewer Overflow Fund – This fund shows the on-behalf-of activity of the Ohio Water Development Authority grants/loan related to the sewer project.

**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.

The Village's Private Purpose Trust Funds are for the benefit 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 the activities of the Village's Mayor's Court.

**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 fund, function or 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.

VILLAGE OF NEW BOSTON  
SCIOTO COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 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.

A summary of 2014 and 2013 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.

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.

**VILLAGE OF NEW BOSTON  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**F. Fund Balance**

**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.

**2. Equity in Pooled Deposits**

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

	<u>2014</u>	<u>2013</u>
Demand deposits	\$453,401	\$748,783
Mayor's Court	(26)	2,804
Total deposits	<u>\$453,375</u>	<u>\$751,587</u>

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

**VILLAGE OF NEW BOSTON  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,899,304	\$1,794,170	(\$105,134)
Special Revenue	573,887	573,982	95
Debt Service	61,967	116,082	54,115
Capital Projects	3,511,089	4,573,353	1,062,264
Private Purpose Trust	20,000	14,390	(5,610)
Total	<u>\$6,066,247</u>	<u>\$7,071,977</u>	<u>\$1,005,730</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,265,277	\$2,152,711	\$112,566
Special Revenue	666,525	647,669	18,856
Debt Service	62,165	59,439	2,726
Capital Projects	5,398,881	4,547,735	851,146
Private Purpose Trust	16,595	4,044	12,551
Total	<u>\$8,409,443</u>	<u>\$7,411,598</u>	<u>\$997,845</u>

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,584,700	\$1,828,875	\$244,175
Special Revenue	501,972	545,210	43,238
Debt Service	242,800	250,598	7,798
Capital Projects	675,717	696,870	21,153
Private Purpose Trust		1,000	1,000
Total	<u>\$3,005,189</u>	<u>\$3,322,553</u>	<u>\$317,364</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,814,509	\$1,699,319	\$115,190
Special Revenue	559,780	527,730	32,050
Debt Service	248,265	243,769	4,496
Capital Projects	952,870	832,960	119,910
Private Purpose Trust	2,815	2,220	595
Total	<u>\$3,578,239</u>	<u>\$3,305,998</u>	<u>\$272,241</u>

**VILLAGE OF NEW BOSTON  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**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.

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

**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 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, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Floodwall Improvement Bonds	\$226,325	3.75%
Equipment Loan	139,175	2.63%
Ohio Water Development Authority Loan #6631	1,190,448	0.00%
Ohio Water Development Authority Loan #6761	68,078	0.00%
Total	<u>\$1,624,026</u>	

The Floodwall Improvement Bonds were issued in 2011 for constructing floodwall improvements. The Bonds were issued at an interest rate of 3.75%, with principal and interest payments due monthly.

The Equipment Loan was for the purchase of a garbage truck and a dump truck. The loan was issued in 2014 for \$159,190, with an interest rate of 2.63%, with principal and interest payments of \$2,837 due monthly. The faith, credit and revenue of the Village have been pledged for payment.

The Ohio Water Development Authority Loan #6631 was for the sanitary sewer relining construction project phase 1. The Village maintains and operates a combined sewer system that flows to the City of Portsmouth's Waste Water Treatment Plant. The project includes rehabilitation of the current combined sewer system and is the first phase of repair and replacement necessary to begin eliminating infiltration and inflow. The loan was issued in 2014, with an interest rate of 0%, with semi-annual payments for 20 years, with the initial payment due on July 1, 2015. The payments are to be made solely from pledged revenue consisting of a wastewater service charge billed to customers by the City of Portsmouth and remitted by the City of Portsmouth to the Village.



**VILLAGE OF NEW BOSTON  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. Debt (Continued)**

The Ohio Water Development Authority Loan #6761 was for the combined sewer separation construction project phase 2. The Village maintains and operates a combined sewer system that flows to the City of Portsmouth's Waste Water Treatment Plant. The project consists of designing and constructing a storm sewer to separate storm water and creek water sources from the combined sewer. The loan was issued in 2014, with an interest rate of 0%. The loan was paid off on January 7, 2015 with the issuance of a new loan (#6875) through the Ohio Water Development Authority.

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

Year ending December 31:	Floodwall Improvement Bonds	Equipment Loan	Ohio Water Development Authority Loan #6631	Ohio Water Development Authority Loan #6761
2015	\$36,022	\$34,046	\$73,036	\$68,078
2016	36,022	34,046	73,036	
2017	36,022	34,046	73,036	
2018	36,022	34,049	73,036	
2019	36,022	11,349	73,036	
2020-2024	81,050		365,180	
2025-2029			365,180	
2030-2034			94,908	
Total	<u>\$261,160</u>	<u>\$147,536</u>	<u>\$1,190,448</u>	<u>\$68,078</u>

**7. Retirement Systems**

The Village's certified Fire Fighters and full-time Police 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. From January 1, 2013 through June 30, 2013, the Village contributed 10% of the wages on behalf of the OP&F participants. From July 1, 2013 through June 30, 2014, the Village contributed 10.75% of the wages on behalf of the OP&F participants. From July 1, 2014 through December 31, 2014, the Village contributed 11.5% of the wages on behalf of the OP&F participants. For 2014 and 2013, 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 2014 and 2013, the Village contributed 10% of the gross wages for OPERS members except for elected officials who 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, 2014.

**VILLAGE OF NEW BOSTON  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**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 also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, 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, 2014, PEP retained \$350,000 for casualty claims and \$100,000 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 net position at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	<u>(12,760,194)</u>	<u>(12,363,257)</u>
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$32,985.

**VILLAGE OF NEW BOSTON  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**8. Risk Management (Continued)**

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, 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.

<b><u>Contributions to PEP</u></b>	
<b><u>2013</u></b>	<b><u>2014</u></b>
\$47,327	\$49,978

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**

The Village is involved in lawsuits and legal proceedings. 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.

**10. Subsequent Events**

Throughout 2015 and 2016, the Village continued to work on Phase III and Phase IV of the Combined Sewer Overflow Improvements Project. As part of the project, the Village obtained additional loan funding through the Ohio Water Development Authority.

On May 17, 2016, the Village Council approved a resolution authorizing the Village Administrator to enter into an agreement with the Ohio Department of Transportation to resurface a portion of US 52.

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# Dave Yost • Auditor of State

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

Village of 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 cash balances, receipts, and disbursements by fund type of the Village of New Boston, Scioto County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 16, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 2014-001 to be a material weakness.

***Compliance and Other Matters***

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

***Entity's Response to Findings***

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

***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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 16, 2016

**VILLAGE OF NEW BOSTON  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2014-001**

**Material Weakness**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

Sound financial reporting is the responsibility of the Village Clerk/Treasurer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Village misclassified and misposted various receipts and disbursements in the annual financial report submitted to the Auditor of State for fiscal years 2014 and 2013 as follows:

On the December 31, 2014 financial statements:

- In the General Fund, \$159,190 in Proceeds of Loan and \$2,179 in Miscellaneous Revenue were misposted to Special Items.
- Homestead and rollback receipts were misposted entirely to the General Fund instead of accurately posting \$1,510 to the Police Pension Fund Intergovernmental Revenue; \$3,371 to the Fire Levy Fund Intergovernmental Revenue; \$816 to the Flood Defense Fund Intergovernmental Revenue; and \$3,524 to the General Obligation Fund Intergovernmental Revenue.
- A Bureau of Workers Compensation refund was misposted entirely to the General Fund instead of accurately posting \$6,033 to the Safety Tax Fund Miscellaneous Revenue.
- In the General Fund, \$39,651 in employee percentage of health insurance was misposted to Miscellaneous Revenue instead of as a reduction of General Government expenditures.
- A State and Local Governmental Highway receipt was misposted entirely to the General Fund instead of accurately posting \$1,616 to the Street Construction, Maintenance and Repair Fund Intergovernmental Revenue and \$131 to the State Highway Fund Intergovernmental Revenue.
- In the Safety Tax Fund, \$565 in Municipal Income Tax receipts were misposted to Transfers-In.
- In the Community Development Fund, \$6,821 in loan repayments were misposted to Other Debt Proceeds instead of accurately posting to Miscellaneous Revenue.
- The Combined Sewer Overflow Capital Projects Fund was incorrectly classified as a Special Revenue Fund. The activity consisted of \$2,444,732 originally posted to Intergovernmental Revenue instead of Proceeds of Loan; \$206,058 originally posted as Basic Utility Services expenditures instead of Capital Outlay; and \$2,198,695 in Capital Outlay. Furthermore, there was on-behalf-of activity totaling \$378,621 in Proceeds of Loan; \$1,632,905 in Intergovernmental Revenue and \$2,011,526 in Principal Retirement that was not recorded.

**FINDING NUMBER 2014-001  
(Continued)**

- The Combined Sewer Overflow Pollution Capital Projects Fund was incorrectly classified as a Special Revenue Fund. The activity consisted of \$68,078 originally posted to Intergovernmental Revenue and \$68,078 in Basic Utility Services.
- The Combined Sewer Overflow Reduction Debt Service Fund was incorrectly classified as a Special Revenue Fund. The activity consisted of \$40,785 original posted to Special Assessments instead of Charges for Services.

On the December 31, 2013 financial statements:

- In the General Fund, \$15,924 in Intergovernmental Revenue was misposted to Miscellaneous Revenue.
- Homestead and rollback receipts were misposted entirely to the General Fund instead of accurately posting \$1,498 to the Police Pension Fund Intergovernmental Revenue; \$3,341 to the Fire Levy Fund Intergovernmental Revenue; \$808 to the Flood Defense Fund Intergovernmental Revenue; and \$3,496 to the General Obligation Fund Intergovernmental Revenue.
- A Bureau of Workers Compensation refund was misposted entirely to the General Fund instead of accurately posting \$7,583 to the Safety Tax Fund Miscellaneous Revenue.
- In the General Fund, \$39,183 in employee percentage of health insurance was misposted to Miscellaneous Revenue instead of as a reduction of General Government expenditures.
- A transfer in the amount of \$42,215 to reimburse for previous expenditures made was misposted to the General Fund from the Floodwall Improvement Fund. \$39,720 of the amount should have been transferred to the 4901 Other Capital Projects Fund to reimburse for expenditures made in 2011.
- In the State Highway Fund, Insurance Proceeds in the amount of \$10,110 was misposted as Extraordinary Items.
- In the Safety Tax Fund, Miscellaneous Revenue in the amount of \$260 was misposted as Extraordinary Items.
- The Combined Sewer Overflow Capital Projects Fund was incorrectly classified as a Special Revenue Fund. The activity consisted of \$378,621 originally posted to Intergovernmental Revenue instead of Proceeds of Loan and \$378,621 in Basic Utility Services expenditures instead of Capital Outlay.
- A Municipal Income Tax receipt was misposted to the Other Capital Projects Fund instead of accurately posting \$4,452 to the Safety Tax Fund.
- In the Community Development Fund, \$11,884 in loan repayments were misposted to Other Debt Proceeds instead of accurately posting to Miscellaneous Revenue.

The Village has adjusted the financial statements and accounting records, where appropriate, to correct these errors.



**FINDING NUMBER 2014-001  
(Continued)**

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and footnotes by the Clerk/Treasurer and Village Council to identify and correct errors and omissions.

We also recommend the Clerk/Treasurer take care in posting transactions in order to ensure the year-end financial statements reflect the appropriate activity for the Village's receipts and expenditures.

**Officials' Response:**

The Village of New Boston will make every effort to improve on making correct postings to funds and comply with all other rules of accounting.

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**VILLAGE OF NEW BOSTON  
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Ohio Revised Code Section 5705.41(D) – Funds not properly certified in advance of expenditure.	Yes	
2012-002	Significant Deficiency – Mayor’s Court Reconciliations	Yes	

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# Dave Yost • Auditor of State

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  
JUNE 30, 2016