



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF NEW BOSTON
SCIOTO COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

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, 2018 and 2017.

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 such 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 2 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, 2018 and 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of New Boston, Scioto County as of December 31, 2018 and 2017, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

June 10, 2019

Village of New Boston, Ohio

Scioto County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2018

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$243,105	\$104,457	\$68,085		\$415,647
Municipal Income Tax	1,296,106	330,736		\$34,399	1,661,241
Intergovernmental	163,573	267,232	4,813	1,516,978	1,952,596
Charges for Services	26,485	37,292	98,589		162,366
Fines, Licenses and Permits	87,354	5,349			92,703
Earnings on Investments	162	44			206
Miscellaneous	53,500	36,104			89,604
<i>Total Cash Receipts</i>	<u>1,870,285</u>	<u>781,214</u>	<u>171,487</u>	<u>1,551,377</u>	<u>4,374,363</u>
Cash Disbursements					
Current:					
Security of Persons and Property	572,431	452,551			1,024,982
Public Health Services	17,694				17,694
Leisure Time Activities	52,790				52,790
Community Environment	0	9,510			9,510
Basic Utility Services	315,499	80,175	4,680		400,354
Transportation	48,898	74,290			123,188
General Government	1,016,508	41,735	1,583	204	1,060,030
Capital Outlay	8,400	124,297		1,736,413	1,869,110
Debt Service:					
Principal Retirement			172,464	1,602,784	1,775,248
Payment to Refunded Bond Escrow Agent		974			974
Interest and Fiscal Charges			6,743		6,743
<i>Total Cash Disbursements</i>	<u>2,032,220</u>	<u>783,532</u>	<u>185,470</u>	<u>3,339,401</u>	<u>6,340,623</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(161,935)</u>	<u>(2,318)</u>	<u>(13,983)</u>	<u>(1,788,024)</u>	<u>(1,966,260)</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds		40,000			40,000
Other Debt Proceeds		4,218		1,759,734	1,763,952
Sale of Capital Assets	60				60
Transfers In		22,500			22,500
Transfers Out	(22,500)				(22,500)
Advances In	94,026	10,000			104,026
Advances Out	(10,000)	(94,026)			(104,026)
Other Financing Sources	5,212				5,212
<i>Total Other Financing Receipts (Disbursements)</i>	<u>66,798</u>	<u>(17,308)</u>	<u>0</u>	<u>1,759,734</u>	<u>1,809,224</u>
<i>Net Change in Fund Cash Balances</i>	<u>(95,137)</u>	<u>(19,626)</u>	<u>(13,983)</u>	<u>(28,290)</u>	<u>(157,036)</u>
<i>Fund Cash Balances, January 1</i>	<u>372,681</u>	<u>218,765</u>	<u>175,002</u>	<u>116,294</u>	<u>882,742</u>
Fund Cash Balances, December 31					
Restricted		199,139	161,019	88,004	448,162
Assigned	96,598				96,598
Unassigned (Deficit)	180,946				180,946
<i>Fund Cash Balances, December 31</i>	<u>\$277,544</u>	<u>\$199,139</u>	<u>\$161,019</u>	<u>\$88,004</u>	<u>\$725,706</u>

See accompanying notes to the basic financial statements

Village of New Boston, Ohio
Scioto County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Agency Fund
For the Year Ended December 31, 2018

	Mayor's Court
Non-Operating Receipts (Disbursements)	
Other Financing Sources	\$63,893
Other Financing Uses	(63,893)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	<hr/> 0
<i>Net Change in Fund Cash Balances</i>	0
<i>Fund Cash Balances, January 1</i>	<hr/> (26)
<i>Fund Cash Balances, December 31</i>	<hr/> <hr/> (\$26)

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2018**

Note 1 - Reporting Entity

The Village of New Boston (the Village), Scioto 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. A publicly-elected six-member Council directs the Village. The Village provides maintenance of streets and highways, sewer utilities, refuse services, fire protection, police services, and park operations.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. Note 6 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.

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 and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

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

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

Safety Tax Fund This fund receives municipal income tax monies that are used to pay for security of persons and property within the Village.

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 Funds:

General Obligation Debt Fund This fund receives tax levy monies and other intergovernmental revenues that are used to pay for the repayment of general obligations notes.

Combined Sewer Overflow Reduction Fund This fund receives collections from residents for a user fee associated with the usage of water consumption. Those monies are used to repay Ohio Water Development Authority (OWDA) loans related to Sewer Overflow Projects.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2018
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Other Capital Projects Fund This fund receives municipal income tax monies that are used to pay for various capital projects within the Village.

CSO VI Project Fund This fund reflects activity related to Phase VI of the Combined Sewer Overflow Project. This project was funded by OWDA loans and grants to pay for capital outlay expenditures related to the sewer overflow project. The Phase VI is ongoing.

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 had no private purpose trust funds.

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 its Mayor's Court activity.

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 Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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.

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 re-appropriated.

A summary of 2018 budgetary activity appears in Note 3.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2018
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Deposits

The Village maintains all cash checking accounts. The Village has no investments.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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*. 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.

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.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2018
(Continued)**

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,835,313	\$1,969,523	\$134,210
Special Revenue	896,604	857,932	(38,672)
Debt Service	173,000	171,487	(1,513)
Capital Projects	3,332,784	3,311,111	(21,673)
Total	\$6,237,701	\$6,310,053	\$72,352

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,243,407	\$2,109,477	\$133,930
Special Revenue	952,545	885,960	66,585
Debt Service	250,929	185,470	65,459
Capital Projects	3,508,781	3,356,582	152,199
Total	\$6,955,662	\$6,537,489	\$418,173

Also, contrary to Ohio law, as of December 31, 2018, Fund 2052 – COPS Fund, had appropriations in excess of estimated resources in the amount of \$84,026.

Note 4 – Deposits

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

	2018
Demand deposits	
Village Checking Account	\$725,706
Mayor's Court Account	(\$26)
Total deposits	\$725,680

Deposits

Deposits are insured by the Federal Depository 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.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2018
(Continued)**

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 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.

Income Taxes

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.

Note 6 - 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. 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 York. 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, 2017, 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.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2018
(Continued)**

Note 6 - Risk Management (Continued)

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017. Information for 2018 is currently unavailable.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	<u>\$31,448,315</u>

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$47,969.

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.

2018 Contributions to PEP
\$76,141

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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. The Village contributed 10% of OPERS members' gross salaries on their behalf, except for elected officials and part time employees who contributed the 10% their gross salaries, and the Village contributed an amount equaling 14% of participants' gross salaries for the employer share. The Village has paid all contributions required through December 31, 2018.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2018
(Continued)**

Note 7 - Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Retirement System

Village's certified Fire Fighters and full-time Police Officers belong to the 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. From January 1, 2018 through December 31, 2018, the Village contributed 6.125% of the wages on behalf of the OP&F participants. The participants contributed the remainder of the mandatory contributions which was 6.125%.

For 2018, 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. The Village has paid all contributions required through December 31, 2018.

Note 8 - 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 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9— Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Floodwall Improvement Bonds	\$109,438	3.75%
Equipment Loan	\$11,284	2.63%
John Deere Tractor Loan	\$13,509	0.00%
Police Cruiser	\$32,500	3.375%
OWDA Loan #6631	\$973,773	0.00%
OWDA Loan #6875	\$336,722	0.00%
OWDA Loan #7484	\$294,122	0.00%
OWDA Loan #7847	\$156,950	0.00%
Total	<u><u>\$1,928,298</u></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.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2018
(Continued)**

Note 9– Debt (Continued)

The John Deere Tractor Loan was for the purchase of a tractor. The loan was issued in 2016 for \$26,168, with an interest rate of 0%, with principal payments of \$463.13 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.

The Ohio Water Development Authority Loan #6875 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 2015, with an interest rate of 0%, with semi-annual payments for 20 years.

The Ohio Water Development Authority Loan #7484 was for the combined sewer separation construction project phase 4. 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 2015, with an interest rate of 0%, with semi-annual payments for 20 years.

The Ohio Water Development Authority Loan #7847 was for the combined sewer separation construction, project phase VI. The Village maintains and operates a combined sewer system that flows to the City of Portsmouth's Waste Water Treatment Plant. The Loan was issued in 2018 with an interest rate of 0%, with semi-annual payments for 20 years.

The Police Cruiser Loan was for the purchase of two police cruisers. The loan was issued from the United States Department of Agriculture for \$40,000 in 2018 with an interest rate of 3.375% and principal payments of \$7,500 due on a yearly basis. The faith, credit and revenue of the Village have been pledged for payment.

Amortization

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

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2018
(Continued)**

Note 9– Debt (Continued)

Year ending December 31:	Floodwall Improvement	Equipment Loan	John Deere Tractor Loan	OWD Loan #6631	OWD Loan #6875	OWD Loan #7484	Police Cruiser
2019	36,022	11,349	5,234	60,861	19,241	15,480	8,797
2020	36,022		5,234	60,861	19,241	15,480	8,837
2021	36,022		3,041	60,861	19,241	15,480	8,867
2022	9,005			60,861	19,241	15,480	8,787
2023				60,861	19,241	15,480	
2024-2028				304,305	96,205	77,400	
2029-2033				304,305	96,205	77,400	
2034-2038				60,858	48,107	61,922	
Total	<u>\$117,071</u>	<u>\$11,349</u>	<u>\$13,509</u>	<u>\$973,773</u>	<u>\$336,722</u>	<u>\$294,122</u>	<u>\$35,288</u>

OWDA has not finalized loan #7487 and as such, an amortization schedule has not been prepared for this loan.

Note 10 – Construction and Contractual Commitments

The Combined Sewer Overflow Reduction Fund Phase VI Project had a contract with Distel Construction Company. The original contract amount after change orders was \$1,409,544. Balance owed to Distel is \$96,844.

Note 11 – Contingent Liabilities

A Village employee has been named a defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter 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. 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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Village of New Boston, Ohio
Scioto County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$248,881	\$100,242	\$73,457		\$422,580
Municipal Income Tax	1,219,675	312,396		\$31,222	1,563,293
Intergovernmental	118,482	109,037	5,020	1,621,901	1,854,440
Charges for Services	32,175	25,290	98,858		156,323
Fines, Licenses and Permits	94,164	4,709			98,873
Earnings on Investments	149	46			195
Miscellaneous	52,799	26,110			78,909
<i>Total Cash Receipts</i>	<u>1,766,325</u>	<u>577,830</u>	<u>177,335</u>	<u>1,653,123</u>	<u>4,174,613</u>
Cash Disbursements					
Current:					
Security of Persons and Property	459,917	366,419			826,336
Public Health Services	20,581				20,581
Leisure Time Activities	28,179	27,775			55,954
Community Environment		8,217			8,217
Basic Utility Services	187,722	37,054		41,383	266,159
Transportation	27,781	67,504			95,285
General Government	932,189	37,957	1,500	233	971,879
Capital Outlay	598	84,026		1,715,736	1,800,360
Debt Service:					
Principal Retirement			123,110	1,085,810	1,208,920
Interest and Fiscal Charges			7,608		7,608
<i>Total Cash Disbursements</i>	<u>1,656,967</u>	<u>628,952</u>	<u>132,218</u>	<u>2,843,162</u>	<u>5,261,299</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>109,358</u>	<u>(51,122)</u>	<u>45,117</u>	<u>(1,190,039)</u>	<u>(1,086,686)</u>
Other Financing Receipts (Disbursements)					
Loans Issued		6,035			6,035
Other Debt Proceeds				1,206,942	1,206,942
Transfers In		13,621			13,621
Transfers Out	(13,621)				(13,621)
Advances In		84,026		55,000	139,026
Advances Out	(84,026)	(55,000)			(139,026)
Other Financing Sources	77,941				77,941
Other Financing Uses	(22,639)				(22,639)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(42,345)</u>	<u>48,682</u>	<u>0</u>	<u>1,261,942</u>	<u>1,268,279</u>
Special Item		2,927			2,927
<i>Net Change in Fund Cash Balances</i>	<u>67,013</u>	<u>487</u>	<u>45,117</u>	<u>71,903</u>	<u>184,520</u>
<i>Fund Cash Balances, January 1</i>	<u>305,668</u>	<u>218,278</u>	<u>129,885</u>	<u>44,391</u>	<u>698,222</u>
Fund Cash Balances, December 31					
Restricted		218,765	175,002	116,294	510,061
Assigned	157,814				157,814
Unassigned (Deficit)	214,867				214,867
<i>Fund Cash Balances, December 31</i>	<u>\$372,681</u>	<u>\$218,765</u>	<u>\$175,002</u>	<u>\$116,294</u>	<u>\$882,742</u>

See accompanying notes to the basic financial statements

Village of New Boston, Ohio
Scioto County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Agency Fund
For the Year Ended December 31, 2017

	Mayor's Court
Non-Operating Receipts (Disbursements)	
Other Financing Sources	\$50,404
Other Financing Uses	(50,404)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>0</i>
	<hr/>
<i>Net Change in Fund Cash Balances</i>	<i>0</i>
	<hr/>
<i>Fund Cash Balances, January 1</i>	<i>(26)</i>
	<hr/>
<i>Fund Cash Balances, December 31</i>	<i>(\$26)</i>
	<hr/> <hr/>

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017**

Note 1 - Reporting Entity

The Village of New Boston (the Village), Scioto 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. A publicly-elected six-member Council directs the Village. The Village provides maintenance of streets and highways, sewer utilities, refuse services, fire protection, police services, and park operations.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. Note 7 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.

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 and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

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

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

Safety Tax Fund This fund receives municipal income tax monies that are used to pay for security of persons and property within the Village.

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 Funds:

General Obligation Debt Fund This fund receives tax levy monies and other intergovernmental revenues that are used to pay for the repayment of general obligations notes.

Combined Sewer Overflow Reduction Fund This fund receives collections from residents for a user fee associated with the usage of water consumption. Those monies are used are used to repay Ohio Water Development Authority (OWDA) loans related to Sewer Overflow Projects.

VILLAGE OF NEW BOSTON
SCIOTO COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Other Capital Projects Fund This fund receives municipal income tax monies that are used to pay for various capital projects within the Village.

Combined Sewer Overflow Pollution Fund (Phase I) This fund reflects activity related to Phase I of the Combined Sewer Overflow Project. This project was funded by OWDA loans and grants to pay for capital outlay expenditures related to the sewer overflow project. The Phase I project is complete and closed out.

Combined Sewer Overflow Pollution Fund (Phase II) This fund reflects activity related to Phase II of the Combined Sewer Overflow Project. This project was funded by OWDA loans and grants to pay for capital outlay expenditures related to the sewer overflow project. The Phase II project is complete including the flood pump repairs and closed out.

COE Reimbursement Fund (Phase III) This fund reflects activity related to Phase III of the Combined Sewer Overflow Project. This project was funded by OWDA loans and grants to pay for capital outlay expenditures related to the sewer overflow project. The Phase III project is complete and closed out.

CSO Phase IV Project Fund This fund reflects activity related to Phase IV of the Combined Sewer Overflow Project. This project was funded by OWDA loans and grants to pay for capital outlay expenditures related to the sewer overflow project. The Phase IV is complete and closed out.

CSO Phase V Project Fund This fund reflects activity related to Phase V of the Combined Sewer Overflow Project. This project was funded by federal funding through the Corps of Engineers to pay for Dye Testing related to the sewer overflow project and storm water pump stations and equipment dealing with sewer department. There is no pay back of funding.

CSO VI Project Fund This fund reflects activity related to Phase VI of the Combined Sewer Overflow Project. This project was funded by OWDA loans and grants to pay for capital outlay expenditures related to the sewer overflow project. The Phase VI is ongoing.

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 had no private purpose trust funds.

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 its Mayor's Court activity.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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 Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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.

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 2017 budgetary activity appears in Note 3.

Deposits

The Village maintains all cash checking accounts. The Village has no investments.

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 NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

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.

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*. 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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,748,000	\$1,844,266	\$96,266
Special Revenue	589,210	681,512	92,302
Debt Service	156,000	177,335	21,335
Capital Projects	5,055,810	2,915,065	(2,140,745)
Total	\$7,549,020	\$5,618,178	(\$1,930,842)

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

Note 3 - Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,075,849	\$1,798,959	\$276,890
Special Revenue	750,600	692,614	57,986
Debt Service	187,036	186,444	592
Capital Projects	5,543,285	4,497,598	1,045,687
Total	\$8,556,770	\$7,175,615	\$1,381,155

Also, contrary to Ohio law, as of December 31, 2017, the following funds had material appropriations in excess of estimated resources in these amounts:

Fund	Appropriations	Estimated Resources	Differences
Tennis Court Fund (#2910)	80,000	(5,604)	85,604
Combined Sewer Overflow Reduction Fund (#2907)	110,000	94,461	15,539
COE Phase VI (#4903)	1,873,046	1,700,000	173,046

Note 4 – Deposits

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

	2017
Demand deposits	
Village Checking Account	\$882,742
Mayor's Court Account	(\$26)
Total deposits	\$882,716

Deposits

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

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 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.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

Note 5 – Taxes (Continued)

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 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.

Note 6 – Interfund Balances

Advances

Outstanding advances at December 31, 2017, consisted of \$84,026 advanced to the Federal Grant Fund from the General Fund for the purchase of two police cruisers.

Note 7 - 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. 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 York. 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, 2017, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017 unavailable at current time.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

Note 7 - Risk Management (Continued)

	<u>2017</u>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$31,448,315</u>

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$37,540.

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.

<u>Contributions to PEP</u>
2017 - \$59,588

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.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. The Village contributed 10% of OPERS members' gross salaries on their behalf, except for elected officials and part time employees who contributed the 10% their gross salaries, and the Village contributed an amount equaling 14% of participants' gross salaries for the employer share. The Village has paid all contributions required through December 31, 2017.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

Note 8 - Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Retirement System

Village's certified Fire Fighters and full-time Police Officers belong to the 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. From January 1, 2017 through July 15, 2017, the Village contributed 12.25% of the wages on behalf of the OP&F participants. From July 16, 2017 through December 31, 2017, the Village contributed 6.125% of the wages on behalf of the OP&F participants. The participants contributed the remainder of the mandatory contributions which was 6.125%.

For 2017, 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. The Village has paid all contributions required through December 31, 2017.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0%. In addition to this, OP&F contributed .5% to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Floodwall Improvement Bonds	\$140,321	3.75%
Equipment Loan	\$44,548	2.63%
John Deere Tractor Loan	\$18,754	0.00%
OWDA Loan #6631	\$1,034,634	0.00%
OWDA Loan #6875	\$355,964	0.00%
OWDA Loan #7484	\$309,602	0.00%
Total	<u>\$1,903,823</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.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

Note 10 – Debt (Continued)

The John Deere Tractor Loan was for the purchase of a tractor. The loan was issued in 2016 for \$26,168, with an interest rate of 0%, with principal payments of \$463.13 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.

The Ohio Water Development Authority Loan #6875 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 2015, with an interest rate of 0%, with semi-annual payments for 20 years.

The Ohio Water Development Authority Loan #7484 was for the combined sewer separation construction project phase 4. 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 2015, with an interest rate of 0%, with semi-annual payments for 20 years.

Amortization

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

Year ending	Floodwall	Equipment	John Deere	OWDA Loan	OWDA Loan	OWDA Loan
December 31:	Improvement	Loan	Tractor Loan	#6631	#6875	#7484
2018	36,022	34,046	5,234	60,861	9,621	7,740
2019	36,022	11,394	5,234	60,861	19,241	15,480
2020	36,022		5,234	60,861	19,241	15,480
2021	36,022		3,052	60,861	19,241	15,480
2022	9,005			60,861	19,241	15,480
2023-2027				304,304	96,206	77,400
2028-2032				304,304	96,206	77,400
2033-2037				121,721	76,967	77,400
2038-2042						7,742
Total	<u>\$153,093</u>	<u>\$45,440</u>	<u>\$18,754</u>	<u>\$1,034,634</u>	<u>\$355,964</u>	<u>\$309,602</u>

Note 11 – Outstanding Commitments

As of December 31, 2017 the Village had material outstanding encumbrances as follows:

Combined Sewer Overflow Reduction Fund (#2907) in the amount of \$54,226.
COE Phase VI (#4903) in the amount of \$1,644,395.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017
(Continued)**

Note 12 – Contingent Liabilities

The Village had an employee involved in one lawsuit that could affect the Village. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter 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 – Subsequent Events

The Village acquired debt in the amount of \$40,000 from the US Department of Agriculture. The Village anticipates to receive the funds in early 2018. Funds will be used to purchase two police cruisers.

OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

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, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 10, 2019 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 '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 '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 2018-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the '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 noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2018-001.

Village's Response to Findings

The Village's responses to the findings identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

June 10, 2019

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The following funds had appropriations in excess of estimated resources at year end:

As of December 31, 2018:

Fund	Appropriations	Estimated Resources	Differences
COPS Fund (#2052)	\$84,026	\$0	\$84,026
Drug Law Enforcement Fund (#2081)	2,900	975	1,925
Police Training Fund (#2408)	6,000	4,189	1,811
COE Phase V Fund (#4902)	48,711	36,712	11,999
COE Phase VII Fund (#4905)	87,350	0	87,350
Christmas Trust Fund (#9977)	56,500	19,223	37,277

As of December 31, 2017:

Fund	Appropriations	Estimated Resources	Differences
Police Training Fund (#2408)	\$2,000	\$650	\$1,350
Fire Levy Fund (#2902)	74,500	70,629	3,871
Flood Defense Fund (#2904)	49,500	34,809	14,691
Computer Fund (#2906)	6,000	4,737	1,263
Tennis Court Fund (#2910)	80,000	(5,604)	85,604
Combined Sewer Overflow Reduction Fund (#2907)	110,000	94,461	15,539
COE Phase (#2405)	550,000	467,824	82,176
COE Phase (#2909)	114,387	0	114,387
COE Phase V (#4902)	300,000	250,000	50,000
COE Phase VI (#4903)	1,873,046	1,700,000	173,046
Christmas Trust Fund (#9977)	31,000	27,529	3,471

These variances are partly a result of incorrect budgetary data being input into the UAN system, so proper monitoring of correct figures could not be completed. Failure to monitor budgetary items could result in overspending or negative fund balances.

We recommend the Village Clerk/Treasurer monitor these budgetary items to ensure appropriations do not exceed estimated resources at any point in the year.

**FINDING NUMBER 2018-001
(Continued)**

Officials' Response:

The Village of New Boston will make every effort to improve monitoring of budgetary compliance.

FINDING NUMBER 2018-002

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

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 2018 and 2017 as follows:

On the December 31, 2018 financial statements:

- The Village received additional Ohio Water Development Authority (OWDA) loan proceeds. These loan proceeds were recorded as Intergovernmental Receipts in Fund 4903, CSO Phase VI Project Fund in the amount of \$1,556,400 and in Fund 4905, CSO Phase VII Project Fund in the amount of \$112,887. These proceeds should have been recorded as Other Debt Proceeds.
- On-behalf payments on OWDA loans were not recorded in the accounting system as Intergovernmental Receipts and Principal Retirement in the following funds and in the following amounts:

Fund 4903, CSO Phase VI Project Fund in the amount of \$1,403,850; and
Fund 4905, CSO Phase VII Project Fund in the amount of \$112,887.
- In Fund 4905, the issuance and subsequent pay off of planning loan #7973 was not recorded in the amount of \$86,047.
- In Fund 2907, Combined Sewer Overflow Reduction Fund, debt payments of \$95,582 were classified as Basic Utility Services instead of Principal Retirement.
- In Fund 2907, Combined Sewer Overflow Reduction Fund, \$98,589 of Charges for Services from the City of Portsmouth were misclassified as Special Assessments.
- In Fund 2502, FEMA Federal Fund, \$124,297 of Capital Outlay Disbursements were misclassified as Other Financing Sources.

**FINDING NUMBER 2018-002
 (Continued)**

On the December 31, 2017 financial statements:

- The Village received additional Ohio Water Development Authority (OWDA) loan proceeds. These loan proceeds were recorded as Intergovernmental Receipts in Fund 2404, Combined Sewer Overflow Pollution Fund (Phase II) in the amount of \$41,383, in Fund 2909, COE Reimbursement Phase III Fund in the amount of \$50,457, in Fund 4903, CSO Phase VI Project Fund in the amount of \$223,150, and in Fund 4904, CSO Phase IV Project Fund in the amount of \$698,802. These proceeds should have been recorded as Other Debt Proceeds.
- On-behalf payments on OWDA loans were not recorded in the accounting system as Intergovernmental Receipts and Principal Retirement in the following funds and in the following amounts:

 Fund 2403, Combined Sewer Overflow Pollution Fund (Phase I) in the amount of \$140,715;
 Fund 2909, COE Reimbursement Phase III Fund in the amount of \$50,457;
 Fund 4903, CSO Phase VI Project Fund in the amount of \$ 223,150; and
 Fund 4904, CSO Phase IV Project Fund in the amount of \$475,344.
- In Fund 4903, the issuance and subsequent pay off of planning loan #7695 was not recorded in the amount of \$193,500.
- The Village recorded capital project disbursements as Basic Utility Service Disbursements instead of as Capital Outlay in Fund 2909, COE Reimbursement Phase III Fund in the amount of \$462,036.
- The Village recorded capital project disbursements as Security of Persons and Property Disbursements instead of as Capital Outlay in Fund 2051, Federal Fund in the amount of \$84,026.
- In Fund 2907, Combined Sewer Overflow Reduction Fund, debt payments of \$55,774 were classified as Basic Utility Services instead of Principal Retirement.
- In Fund 2907, Combined Sewer Overflow Reduction Fund, \$98,858 of Charges for Services from the City of Portsmouth were misclassified as Special Assessments.
- In the General Fund, \$136,108 of Assigned Fund Balance was misclassified as Unassigned Fund Balance.

In addition to the above adjustments, the Village also reported some of its funds as incorrect fund classifications on financial statements or omitted them entirely. These were as follows:

<u>Fund Name:</u>	<u>Original Classification:</u>	<u>Corrected Classification:</u>
2907- Combined Sewer Overflow Reduction Fund	Special Revenue Fund	Debt Service Fund
2403- Combined Sewer Overflow Pollution Phase I Fund	Special Revenue Fund	Capital Projects Fund
2404- Combined Sewer Overflow Pollution Phase II Fund	Special Revenue Fund	Capital Projects Fund
2405- Combined Sewer Overflow Pollution Phase III Fund	Special Revenue Fund	Capital Projects Fund

**FINDING NUMBER 2018-002
 (Continued)**

<u>Fund Name:</u>	<u>Original Classification:</u>	<u>Corrected Classification:</u>
2909- COE Reimbursement Phase III Fund	Special Revenue Fund	Capital Projects Fund
9976- Warren Trust Fund	Private Purpose Trust Fund	Special Revenue Fund
9977- Village of New Boston Christmas Fund	Private Purpose Trust Fund	Special Revenue Fund
Mayor's Court Fund	Not reported on Financial Statement	Agency Fund

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

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 Village Clerk/Treasurer and Village Council to identify and correct errors and omissions. We also recommend the Village 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.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code § 5705.39, appropriations exceeded estimated resources	Not Corrected	The Village of New Boston will make every effort to improve monitoring of budgetary compliance.
2016-002	Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriations	Fully Corrected	
2016-003	Sound Financial Reporting	Not Corrected	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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OHIO AUDITOR OF STATE
KEITH FABER



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 25, 2019**