

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY
Regular Audit
December 31, 2010 and 2009**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of New Boston
3980 Rhodes Ave
New Boston, Ohio 45662

We have reviewed the *Independent Accountants' Report* of the Village of New Boston, Scioto County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 31, 2011

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**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

June 28, 2011

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

To the Village Council:

We have audited the accompanying financial statements of **Village of New Boston**, Scioto County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of the State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009 or their changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of New Boston, Scioto County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 236,282	\$ 112,496	\$ 43,006	\$ 210,371	\$ 602,155
Municipal Income Taxes	1,123,059	289,220	-	28,822	1,441,101
Intergovernmental	300,831	132,465	1,437	-	434,733
Charges for Services	20,667	-	-	-	20,667
Fines, Licenses, and Permits	60,492	334	-	-	60,826
Earnings on Investments	278	77	-	-	355
Miscellaneous	78,091	33,326	-	-	111,417
Total Cash Receipts	<u>1,819,700</u>	<u>567,918</u>	<u>44,443</u>	<u>239,193</u>	<u>2,671,254</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	368,244	382,496	-	-	750,740
Public Health Services	20,349	-	-	-	20,349
Leisure Time Activities	11,249	-	-	-	11,249
Community Environment	-	32,687	-	-	32,687
Basic Utility Services	182,530	43,960	-	-	226,490
Transportation	57,314	81,823	-	-	139,137
General Government	1,011,393	26,986	959	19,564	1,058,902
Capital Outlay	62,000	23,023	-	58,178	143,201
Debt Service:					
Redemption of Principal	-	-	138,459	-	138,459
Interest and Fiscal Charges	-	-	33,776	-	33,776
Total Cash Disbursements	<u>1,713,079</u>	<u>590,975</u>	<u>173,194</u>	<u>77,742</u>	<u>2,554,990</u>
Total Cash Receipts Over/(Under) Disbursements	<u>106,621</u>	<u>(23,057)</u>	<u>(128,751)</u>	<u>161,451</u>	<u>116,264</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	11,403	-	-	-	11,403
Transfer-In	11,512	25,000	128,875	-	165,387
Transfer-Out	(25,000)	(11,512)	-	(128,875)	(165,387)
Total Other Financing Receipts/(Disbursements)	<u>(2,085)</u>	<u>13,488</u>	<u>128,875</u>	<u>(128,875)</u>	<u>11,403</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	104,536	(9,569)	124	32,576	127,667
Fund Cash Balances, January 1	<u>132,917</u>	<u>228,070</u>	<u>3,139</u>	<u>234,228</u>	<u>598,354</u>
Fund Cash Balances, December 31	<u>\$ 237,453</u>	<u>\$ 218,501</u>	<u>\$ 3,263</u>	<u>\$ 266,804</u>	<u>\$ 726,021</u>
Reserve for Encumbrances, December 31	<u>\$ 6,643</u>	<u>\$ 242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,885</u>

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

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Fiduciary Fund Types</u>		Totals (Memorandum Only)
	<u>Private Purpose Trust</u>	<u>Agency Fund</u>	
Operating Cash Receipts:			
Miscellaneous	\$ 3,500	\$ -	\$ 3,500
Total Operating Revenues	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Operating Cash Disbursements:			
Other	<u>2,032</u>	<u>-</u>	<u>2,032</u>
Total Operating Cash Disbursements	<u>2,032</u>	<u>-</u>	<u>2,032</u>
Operating Income (Loss)	<u>1,468</u>	<u>-</u>	<u>1,468</u>
Non-Operating Cash Receipts/(Disbursements):			
Other Non-Operating Cash Receipts	-	39,811	39,811
Other Non-Operating Cash Disbursements	<u>-</u>	<u>(38,792)</u>	<u>(38,792)</u>
Total Non-Operating Cash Receipts/(Disbursements)	<u>-</u>	<u>1,019</u>	<u>1,019</u>
Net Receipts Over/(Under) Cash Disbursements	1,468	1,019	2,487
Fund Cash Balances, January 1	<u>3,846</u>	<u>836</u>	<u>4,682</u>
Fund Cash Balances, December 31	<u>\$ 5,314</u>	<u>\$ 1,855</u>	<u>\$ 7,169</u>

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

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 257,730	\$ 117,383	\$ 41,163	\$ 184,872	\$ 601,148
Municipal Income Taxes	1,025,924	275,941	-	77,521	1,379,386
Intergovernmental	226,036	121,786	1,876	-	349,698
Charges for Services	19,210	-	-	-	19,210
Fines, Licenses, and Permits	70,176	676	-	-	70,852
Earnings on Investments	246	91	-	2,203	2,540
Miscellaneous	94,839	30,887	-	-	125,726
	<u>1,694,161</u>	<u>546,764</u>	<u>43,039</u>	<u>264,596</u>	<u>2,548,560</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	439,547	410,716	-	-	850,263
Public Health Services	22,854	-	-	-	22,854
Leisure Time Activities	15,251	225	-	-	15,476
Community Environment	-	13,937	-	-	13,937
Basic Utility Services	181,421	43,971	-	-	225,392
Transportation	62,169	88,594	-	-	150,763
General Government	1,095,369	3,985	500	13,541	1,113,395
Capital Outlay	-	111,492	-	74,983	186,475
Debt Service:					
Redemption of Principal	-	-	186,740	-	186,740
Interest and Fiscal Charges	-	-	40,367	-	40,367
	<u>1,816,611</u>	<u>672,920</u>	<u>227,607</u>	<u>88,524</u>	<u>2,805,662</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Disbursements	<u>(122,450)</u>	<u>(126,156)</u>	<u>(184,568)</u>	<u>176,072</u>	<u>(257,102)</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	927	16,100	-	-	17,027
Transfer-In	24,900	22,200	183,746	-	230,846
Transfer-Out	(22,200)	(24,900)	-	(183,746)	(230,846)
	<u>3,627</u>	<u>13,400</u>	<u>183,746</u>	<u>(183,746)</u>	<u>17,027</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(118,823)	(112,756)	(822)	(7,674)	(240,075)
Fund Cash Balances, January 1	<u>251,740</u>	<u>340,826</u>	<u>3,961</u>	<u>241,902</u>	<u>838,429</u>
Fund Cash Balances, December 31	<u>\$ 132,917</u>	<u>\$ 228,070</u>	<u>\$ 3,139</u>	<u>\$ 234,228</u>	<u>\$ 598,354</u>

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

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Private Purpose Trust</u>	<u>Agency Fund</u>	
Operating Cash Receipts:			
Miscellaneous	\$ 3,100	\$ -	\$ 3,100
Total Operating Revenues	<u>3,100</u>	<u>-</u>	<u>3,100</u>
Operating Cash Disbursements:			
Other	<u>1,906</u>	<u>-</u>	<u>1,906</u>
Total Operating Cash Disbursements	<u>1,906</u>	<u>-</u>	<u>1,906</u>
Operating Income (Loss)	<u>1,194</u>	<u>-</u>	<u>1,194</u>
Non-Operating Cash Receipts/(Disbursements):			
Other Non-Operating Cash Receipts	-	48,338	48,338
Other Non-Operating Cash Disbursements	<u>-</u>	<u>(51,897)</u>	<u>(51,897)</u>
Total Non-Operating Cash Receipts/(Disbursements)	<u>-</u>	<u>(3,559)</u>	<u>(3,559)</u>
Net Receipts Over/(Under) Cash Disbursements	1,194	(3,559)	(2,365)
Fund Cash Balances, January 1	<u>2,652</u>	<u>4,395</u>	<u>7,047</u>
Fund Cash Balances, December 31	<u><u>\$ 3,846</u></u>	<u><u>\$ 836</u></u>	<u><u>\$ 4,682</u></u>

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

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 governs the Village. The Village Provides services that include maintenance of streets and highways, fire protection, police services, garbage services, and park operations.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 the Auditor of State prescribes.

C. Deposits and Investments

During the period the Village maintained a general checking account, certificate of deposits, and mayor's court checking account.

The Village has 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 reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

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

Fire Tax Levy Fund – This fund receives tax money to provide fire protection for village residents.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

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

4. Capital Project Funds

The Capital Project Fund is used to account for receipts and disbursements restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The Village had the following Capital Projects Funds:

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

TIF Fund – This fund receives money to fund development in the Village.

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 fund is used for the benefit of the Village of New Boston.

Warren Trust Fund – This fund was established to account for assets held under a trust agreement for a specific individual.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Fiduciary Funds (Continued)

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 had the following significant Fiduciary Fund:

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated in the subsequent year. The Village did not properly encumber all commitments required by Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. 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 used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2010	2009
Demand deposits	\$733,190	\$603,036

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,750,662	\$1,842,615	\$91,953
Special Revenue	613,182	592,918	(20,264)
Debt Service	170,875	173,318	2,443
Capital Projects	230,500	239,193	8,693
Private Purpose Trust	1,000	3,500	2,500
Total	\$2,766,219	\$2,851,544	\$85,325

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,828,772	\$1,744,722	\$84,050
Special Revenue	683,223	602,729	80,494
Debt Service	173,210	173,194	16
Capital Projects	221,075	206,617	14,458
Private Purpose Trust	3,000	2,032	968
Total	<u>\$2,909,280</u>	<u>\$2,729,294</u>	<u>\$179,986</u>

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,680,445	\$1,719,988	\$39,543
Special Revenue	546,790	585,064	38,274
Debt Service	227,246	226,785	(461)
Capital Projects	258,872	264,596	5,724
Private Purpose Trust	1,000	3,100	2,100
Total	<u>\$2,714,353</u>	<u>\$2,799,533</u>	<u>\$85,180</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,886,529	\$1,838,811	\$47,718
Special Revenue	747,962	697,820	50,142
Debt Service	227,607	227,607	0
Capital Projects	307,902	272,270	35,632
Private Purpose Trust	3,297	1,906	1,391
Total	<u>\$3,173,297</u>	<u>\$3,038,414</u>	<u>\$134,883</u>

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. DEBT

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Street Improvement Notes Series 2008	\$ 650,000	4.50%
Loan: Street Equipment	85,997	4.52%
Total	\$ 735,997	

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

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

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

Year ending December 31:	Street Improvement	Street Equipment
2011	\$ 650,000	\$ 43,360
2012	\$ -	\$ 43,360
2013	\$ -	\$ 3,613
	\$ 650,000	\$ 90,334

5. LEASE OBLIGATION

The Village entered into a 3 year lease with a monthly payment of \$225.75 for the acquisition of new mayor's court software. This lease was paid off in 2009.

The Village entered into a 3 year lease with a monthly payment of \$307 for the acquisition of a new voice recording 911 system. This lease was paid off in 2009.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

7. 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, 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.

8. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of police participant wages. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

9. 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.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

((Continued))

9. RISK MANAGEMENT (Continued)

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, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Village's share of these unpaid claims collectible in future years is approximately \$37,000.

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.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

9. RISK MANAGEMENT (Continued)

<u>Contributions to PEP</u>	
<u>2009</u>	<u>2008</u>
\$38,967	\$42,509

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.

10. CONTINGENT LIABILITIES

A. Grants

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

9. INTERFUND TRANSFERS

Interfund transfers for the audit period, consisted of the following:

For Year Ended December 31, 2010	Transfer In	Transfer Out
From State Grant Fund to General Fund	\$ 11,512	\$ (11,512)
From TIF Fund to General Obligation Fund	128,875	(128,875)
	\$ 140,387	\$ (140,387)
For Year Ended December 31, 2009	Transfer In	Transfer Out
From Sewer Line Fund to General Fund	\$ 24,900	\$ (24,900)
From TIF Fund to General Obligation Fund	183,746	(183,746)
	\$ 208,646	\$ (208,646)

The Transfers from the State Grant and Sewer Line Funds to the General Fund were due to the Funds being closed out and transferred to the General Fund. The Transfers from the TIF fund to the General Obligation Fund were to provide debt payments from the TIF Capital Projects Fund that is receiving property taxes for the debt that was incurred in the General Obligation fund. The Transfers were determined to be in compliance with Ohio Revised Code.

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

June 28, 2011

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

To the Village Council:

We have audited the financial statements of **Village of New Boston**, Scioto County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 28, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings, we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of audit findings 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, providing an opinion 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 that we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 28, 2011.

We intend this report solely for the information and use of management, Village Council and others within the Village. We intend it for no one other than these specified parties.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 and 2009**

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

Posting Receipts

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2010 and 2009, several receipts were not posted into accurate classifications based on the source of the receipt. The following posting errors were noted:

- Intergovernmental revenue was posted to Extraordinary and Special Item receipts instead of Intergovernmental
- Miscellaneous revenue was posted to various revenue line items instead of miscellaneous

Not posting revenues accurately resulted in the financial statements requiring several reclassifications. The accompanying financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook and Ohio Administration Code for guidance to determine the proper establishment of receipt accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Posting Revenues and Expenditures – Improper posting of receipts and expenditures	No	Not Corrected, Repeated as part of finding 2010-001
2008-002	Posting Estimated Revenues and Appropriations – Didn't post correct amounts to the Villages system	Yes	N/A
2008-003	ORC 5705.41(D) – Expenditures are not properly encumbered	No	Partially Corrected; Moved to Management Letter

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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
SEPTEMBER 13, 2011