

Village of New Boston

Scioto County, Ohio

Regular Audit

January 1, 2003 Through December 31, 2004

Fiscal Year Audited Under GAGAS: 2003 & 2004



BALESTRA, HARR & SCHERER
CERTIFIED PUBLIC ACCOUNTANTS
528 S. WEST STREET, P.O. Box 687
PIKETON, OHIO 45661

TELEPHONE (740) 289-4131

FAX (740) 289-3639

www.bhscpas.com



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the Village of New Boston, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2003 through December 31, 2004. 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 Auditors' 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 Auditors' 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 "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 13, 2006

This Page is Intentionally Left Blank.

Village of New Boston
Scioto County

TABLE OF CONTENTS

TITLE

Independent Auditor’s Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types – For the Year Ended December 31, 2004.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types – For the Year Ended December 31, 2003.....	4
Notes to the Financial Statements.....	5
Independent Accountants’ Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	16

This Page is Intentionally Left Blank.

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Village of New Boston, Scioto County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003. 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 obtain reasonable assurance about 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 that 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 third following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Government's combined funds as of December 31, 2004, or their changes in financial position for the year then ended.

The Village was unable to provide evidence supporting the Mayor's Court receipts and available records do not permit the application of other auditing procedures to support the Mayor's Court receipts for the year ended December 31, 2004.

Also, in our opinion, except for the effects, if any, of not providing adequate support for receipts for the Mayor's Court as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village, as of the December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 May 11, 2006, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.
May 11, 2006

VILLAGE OF NEW BOSTON
SCIOTO COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	GOVERNMENTAL FUND TYPES				Fiduciary Fund Types		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Agency Fund	
Cash Receipts							
Property Tax and Other Local Tax	\$ 255,567	\$ 90,499	\$ 18,842	\$ -	\$ 18,872	\$ -	\$ 383,780
Municipal Income Taxes	749,112	192,499	-	26,373	-	-	967,984
Intergovernmental Receipt:	248,788	88,218	1,661	-	1,994	-	340,661
Special Assessments:	138	-	-	-	-	-	138
Charges for Service:	15,360	-	-	-	-	-	15,360
Fines, Licenses and Permit:	41,549	1,548	-	-	-	-	43,097
Earnings on Investment:	3,632	1,066	-	-	-	-	4,698
Miscellaneous	53,599	48,375	-	-	2,000	-	103,974
Total Cash Receipts	1,367,745	422,205	20,503	26,373	22,866	-	1,859,692
Cash Disbursements:							
Current							
Security of Persons and Propert	382,512	256,136	-	-	11,904	-	650,552
Public Health Service:	25,800	10,239	-	-	-	-	36,039
Leisure Time Activities:	8,761	-	-	-	-	-	8,761
Community Environmen	-	44,047	-	-	-	-	44,047
Basic Utility Service	107,471	37,295	-	-	-	-	144,766
Transportation	43,949	52,676	-	-	-	-	96,625
General Governmen	916,271	-	-	-	6,436	-	922,707
Debt Service							
Principal Paymen	-	-	31,635	-	-	-	31,635
Interest and Fiscal Charge	-	-	5,638	-	-	-	5,638
Financing and Other Debt-Service Relate	-	-	-	-	-	-	-
Capital Outlay	-	3,200	-	19,368	-	-	22,568
Total Cash Disbursements	1,484,764	403,593	37,273	19,368	18,340	-	1,963,338
Total Receipts Over/(Under) Disbursement	(117,019)	18,612	(16,770)	7,005	4,526	-	(103,646)
Other Financing Sources (Uses)							
Transfers - In	-	10,000	-	-	-	-	10,000
Transfers - Ou	(10,000)	-	-	-	-	-	(10,000)
Other Financing Source	-	8,000	-	-	-	25,560	33,560
Other Financing Use:	-	-	-	-	-	(21,087)	(21,087)
Total Other Financing Sources (Uses)	(10,000)	18,000	-	-	-	4,473	12,473
Excess of Receipts and Other Financing Sources Over/(Under) Disbursement and Other Uses	(127,019)	36,612	(16,770)	7,005	4,526	4,473	(91,173)
Fund Cash Balances, January 1, 200	233,842	116,911	55,302	23,668	77,120	0	506,843
Fund Cash Balances, December 31, 200	\$106,823	\$153,523	\$38,532	\$30,673	\$81,646	\$4,473	\$415,670

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

VILLAGE OF NEW BOSTON
SCIOTO COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	GOVERNMENTAL FUND TYPES				Fiduciary Fund Types		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Agency Fund	
Cash Receipts							
Property Tax and Other Local Taxe	\$ 254,694	\$ 89,286	\$ 32,977	\$ -	\$ 18,562	\$ -	\$ 395,519
Municipal Income Taxes:	755,982	194,985	3,444	21,954	-	-	976,365
Intergovernmental Receipt:	234,334	119,677	-	-	2,066	-	356,077
Charges for Service:	16,211	-	-	-	-	-	16,211
Fines, Licenses and Permit:	60,862	1,642	-	-	-	-	62,504
Earnings on Investment:	4,911	566	-	-	-	-	5,477
Miscellaneous	80,304	72,579	-	-	9,150	-	162,033
Total Cash Receipts	1,407,298	478,735	36,421	21,954	29,778	-	1,974,186
Cash Disbursements							
Current							
Security of Persons and Propert	424,281	264,907	-	-	11,878	-	701,066
Public Health Service:	24,944	19,494	-	-	-	-	44,438
Leisure Time Activitie:	16,675	-	-	-	-	-	16,675
Community Environmen	-	47,917	-	-	4,000	-	51,917
Basic Utility Service	108,758	43,596	-	-	-	-	152,354
Transportatior	101,071	58,336	-	-	-	-	159,407
General Governmen	971,028	-	-	9,254	2,385	-	982,667
Debt Service							
Principal Paymen	-	-	30,750	-	-	-	30,750
Interest and Fiscal Charge	-	-	7,721	-	-	-	7,721
Financing and Other Debt-Service Relate	-	-	-	-	-	-	-
Capital Outlay							
	-	-	-	-	-	-	-
Total Cash Disbursements:	1,646,757	434,250	38,471	9,254	18,263	-	2,146,995
Total Receipts Over/(Under) Disbursement	(239,459)	44,485	(2,050)	12,700	11,515	-	(172,809)
Other Financing Sources (Uses)							
Transfers - In	36,169	10,000	-	-	-	-	46,169
Transfers - Ou	(10,000)	(36,169)	-	-	-	-	(46,169)
Other Financing Source	-	-	-	-	-	40,639	40,639
Other Financing Use:	-	-	-	-	-	(43,818)	(43,818)
Total Other Financing Sources (Uses)	26,169	(26,169)	-	-	-	(3,179)	(3,179)
Excess of Receipts and Other Financing Sources Over/(Under) Disbursement and Other Uses	(213,290)	18,316	(2,050)	12,700	11,515	(3,179)	(175,988)
Fund Cash Balances, January 1, 200	447,132	98,595	57,352	10,968	65,605	3,179	682,831
Fund Cash Balances, December 31, 200	\$233,842	\$116,911	\$55,302	\$23,668	\$77,120	\$0	\$506,843

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New Boston, Scioto County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. 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. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. 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, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

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 had the following significant Special Revenue Fund:

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 Levy Fund – This fund receives tax money to provide fire protection for Village residents.

3. Debt Service Funds – This fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following Debt Service Fund:

General Obligation Fund - This fund receives tax levy monies and other intergovernmental revenues for the repayment of the general obligation debt of the Village.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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

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

5. Fiduciary Funds (Trust and Agency Funds) – Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Fiduciary Funds:

Police Pension and Fire Pension Funds - These funds receive local tax monies to fund the retirement of Village law enforcement officers and firefighters and are classified as Expendable Trust Funds.

Warren Trust Fund – This fund receives donations to fund special events and general government operations and is classified as an Expendable Trust 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 fund, function and object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

Village of New Boston, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$415,670	\$283,094
Total Deposits	415,670	283,094
Repurchase agreement	0	223,749
Total Investments	0	223,749
Total deposits and investments	415,670	506,843

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

Fund Type	<u>2004 Budgeted vs. Actual Receipts</u>		Variance
	Budgeted Receipts	Actual Receipts	
General	\$1,581,533	\$1,367,745	(\$213,788)
Special Revenue	558,163	440,205	(117,958)
Debt Service	70,301	20,503	(49,798)
Capital Projects	42,467	26,373	(16,094)
Expendable Trust	96,120	22,866	(73,254)
Total	\$2,348,584	\$1,875,692	\$(470,892)

Village of New Boston, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

NOTE 3 – BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,531,538	\$1,494,764	\$36,774
Special Revenue	516,820	403,593	113,227
Debt Service	38,700	37,273	1,427
Capital Projects	109,750	19,368	90,382
Expendable Trust	26,100	18,340	7,760
Total	\$2,222,908	\$1,973,338	\$249,570

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,769,613	\$1,443,467	\$(326,146)
Special Revenue	508,571	488,735	(19,836)
Debt Service	87,352	36,421	(50,931)
Capital Projects	32,968	21,954	(11,014)
Expendable Trust	88,606	29,778	(58,828)
Total	\$2,487,110	\$2,020,355	(\$466,755)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,685,035	\$1,656,757	\$28,278
Special Revenue	510,222	470,419	39,803
Debt Service	40,900	38,471	2,429
Capital Projects	31,500	9,254	22,246
Expendable Trust	21,250	18,263	2,987
Total	\$2,288,907	\$2,193,164	\$95,743

Village of New Boston, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

NOTE 4 – 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 payments, 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.

NOTE 5 – LOCAL INCOME TAX

The Village levies a municipal income tax of 2.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

NOTE 6 – DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$64,573	5.23%-6.00%

The Village had two outstanding bond issues, one for street paving and one for a garbage packer truck. The street paving bond was issued in 1997 for \$160,000. The garbage packer bond was issued in 2000 for \$74,000. The full faith and credit of the Village has been pledged to repay this debt.

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

Year ending December 31	<u>General Obligation Notes</u>
2005	\$ 36,078
2006	17,673
2007	<u>16,837</u>
Total	<u><u>\$70,588</u></u>

NOTE 7 – RETIREMENT SYSTEM

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plan. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. OPERS members contributed 8.5% of their gross wages. The Village contributed an amount equal to 13.55% of participants' gross wages for 2004 and 2003. The Village has paid all contributions required through December 31, 2004.

NOTE 8 – RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

There has been no significant reduction in coverage from prior years. Claims have not exceeded coverage in any of the preceding two years.

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the accompanying financial statements of the Village of New Boston, Scioto County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated March 11, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and wherein the Village was unable to provide evidence supporting the Mayors Court receipts. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as item 2004-003 through 2004-07.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2004-03 through 2004-07 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items number 2004-01 through 2004-02.

We noted certain matters which we reported to management of the Village in a separate letter dated March 11, 2006.

This report is intended solely for the information and use of management, members of the Board, and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer".

Balestra, Harr & Scherer, CPAs, Inc.
March 11, 2006

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Non-compliance Citation

Ohio Rev. Code Sections 2743.70 and 2949.091 require the Court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, to impose and collect additional costs to be used for the State's Reparations Fund and the State's General Revenue Fund, respectively. All such moneys collected during a month under Ohio Rev. Code Section 2743.70 shall be transmitted on the first business day of each month by the Clerk of the Court to the Treasurer of State and deposited by the Treasurer in the Reparations Fund. All such moneys collected during a month under Ohio Rev. Code Section 2949.091 shall be transmitted on or before the twentieth day of the following month by the Clerk of the Court to the Treasurer of State and deposited by the Treasurer into the General Revenue Fund.

During the audit period, the Village Mayor's Court collected, but failed to remit payments to the State in a timely manner each month. The Village Mayor's Court should remit monies owed to the State in a timely manner.

FINDING NUMBER 2004-002

Non-compliance Citation

Ohio Revised Code Section 1905.21 states that the Mayor shall account for and dispose of all such fines, forfeitures, fees, and costs collected. All moneys collected shall be paid by the Mayor into the municipality on the first Monday of each month. At the regular first meeting of the legislative authority each month, the Mayor shall submit a full statement of all money received, from whom and for what purpose received, and when paid into the treasury.

For most months in 2004, no reports were prepared and submitted to Council for their approval. Also, money collected and due to the Village for these reports was not remitted. The Village Mayor's Court should prepare and submit a monthly Mayor's Court report to Council and deposit all moneys due to the Village on a regular basis.

FINDING NUMBER 2004-003

Reportable Condition – Material Weakness

Mayor's Court Reconciliation

The Mayor's Court did not perform monthly bank reconciliations. This allowed errors and irregularities to go undetected. Properly prepared and approved bank reconciliations can prevent errors or irregularities from occurring.

The Village should perform bank reconciliations on a regular, monthly basis, and that the Mayor should review and approve these reconciliations.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-004

Reportable Condition – Material Weakness

Mayor’s Court Daily Deposit

Daily deposit tickets should have the duplicate receipts attached to them as support. During testing of the Mayor’s Court, it was noted that during the months of October through December 2004, daily deposits were not able to be substantiated with duplicate receipts.

By not ensuring that daily deposits agree to daily receipts, errors can go undetected in bank deposits and posting of receipts. The Village Mayor’s Court should reconcile daily deposits to daily duplicate receipts and that the validated deposit ticket have proper support.

FINDING NUMBER 2004-005

Reportable Condition – Material Weakness

Mayor’s Court Manual Receipts

The Mayor’s Court did not post manual receipts to the computer system. Not posting all receipts issued to the computer system reduces the assurance that the receipts have been properly accounted for. Without a full accountability over receipts, we could not assure ourselves regarding the validity of the Mayor’s Court Receipts.

The Mayor’s Court should implement procedures to ensure that all manual receipts are posted to the Mayor’s Court computer system each day. Documenting the computer assigned receipt number on each manual receipt could help to ensure that all manual receipts are properly recorded in the Mayor’s Court computer system.

FINDING NUMBER 2004-006

Reportable Condition – Material Weakness

Mayor’s Court Computer System

The Mayor’s Court software vendor no longer supports the software utilized by the Court. Should the software fail the Mayor’s Court could not have any resources available to bring the system back into service. The Mayor’s Court should obtain new software with support to ensure the continuance of it’s activity is properly recorded and reflected.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
CDECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-007

Reportable Condition – Material Weakness

Police Ticket Log

The Police Department failed to maintain a complete and accurate citation log for the entire audit period. The purpose of a citation log is to maintain an independent record of all citations issued. The citation log should account for all pre-numbered traffic tickets and minor misdemeanor tickets. Not maintaining a log of tickets issued reduces the assurance that all citations or cases and their related fines and court costs have been properly accounted for. Without a full accountability over the citations issued, we could not assure ourselves regarding the validity of the Mayor's Court receipts. To help prevent recording errors and add assurance that all court cases have been documented, the Police Department should account for every citation issued on a citation log.

Village's Response to Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

The Village and the Mayor have put new procedures in place to properly account for the activity of the Mayor's Court, which includes purchasing new software with vendor support.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Ohio Rev. Code Section 5705.41(D) - Certification of funds	Yes	Corrected
2002-002	Ohio Rev. Code Section 2743.70 & 2949.091 - Remitting money to the State	No	Reissued 2004-001



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
DECEMBER 26, 2006**