

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY
Regular Audit
December 31, 2006 and 2005**



Mary Taylor, CPA

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, 2005 through December 31, 2006. 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 15, 2008

This Page is Intentionally Left Blank.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Fiduciary Fund Types - For the Year Ended December 31, 2006	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Fiduciary Fund Types - For the Year Ended December 31, 2005	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	20

This Page is Intentionally Left Blank.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANTS' REPORT

December 21, 2007

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 the **Village of New Boston, Scioto County, Ohio**, (the Village) as of and for the years ended December 31, 2006 and 2005. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately for 2006 and 2005. 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 the 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 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, 2006 and 2005 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, 2006 and 2005 or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of New Boston, Scioto County, as of December 31, 2006 and 2005, 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 years ended December 31, 2006 and 2005. 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 December 21, 2007, 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, 2006**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 276,775	\$ 96,207	\$ 16,406	\$ -	\$ 389,388
Municipal Income Taxes	853,185	239,831	-	63,640	1,156,656
Intergovernmental	276,522	266,238	656	-	543,416
Charges for Services	25,637	-	-	-	25,637
Fines, Licenses, and Permits	36,528	1,120	-	-	37,648
Earnings on Investments	17,169	4,321	-	-	21,490
Miscellaneous	61,696	34,605	-	-	96,301
Total Cash Receipts	<u>1,547,512</u>	<u>642,322</u>	<u>17,062</u>	<u>63,640</u>	<u>2,270,536</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	346,712	479,991	-	-	826,703
Public Health Services	24,380	1,473	-	-	25,853
Leisure Time Activities	12,404	-	-	-	12,404
Community Environment	20,207	41,398	-	-	61,605
Basic Utility Services	127,750	45,898	-	-	173,648
Transportation	27,060	63,291	-	-	90,351
General Government	928,726	-	-	-	928,726
Debt Service:					
Redemption of Principal	8,728	-	32,804	-	41,532
Interest and Fiscal Charges	192	-	6,763	-	6,955
Capital Outlay	100	-	-	6,235	6,335
Total Cash Disbursements	<u>1,496,259</u>	<u>632,051</u>	<u>39,567</u>	<u>6,235</u>	<u>2,174,112</u>
Total Cash Receipts Over/(Under) Disbursements	<u>51,253</u>	<u>10,271</u>	<u>(22,505)</u>	<u>57,405</u>	<u>96,424</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	-	8,000	-	-	8,000
Transfer-In	-	16,353	-	-	16,353
Transfer-Out	(17,553)	-	-	-	(17,553)
Total Other Financing Receipts/(Disbursements)	<u>(17,553)</u>	<u>24,353</u>	<u>-</u>	<u>-</u>	<u>6,800</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	33,700	34,624	(22,505)	57,405	103,224
Fund Cash Balances, January 1	<u>145,852</u>	<u>259,941</u>	<u>22,973</u>	<u>22,874</u>	<u>451,640</u>
Fund Cash Balances, December 31	<u>\$ 179,552</u>	<u>\$ 294,565</u>	<u>\$ 468</u>	<u>\$ 80,279</u>	<u>\$ 554,864</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, 2006**

	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Expendable Trust</u>	<u>Agency Fund</u>	
Operating Cash Receipts:			
Property Tax and Other Local Tax	\$ 19,858	\$ -	\$ 19,858
Intergovernmental	2,128	-	2,128
Miscellaneous	6,000	-	6,000
Total Operating Revenues	<u>27,986</u>	<u>-</u>	<u>27,986</u>
Operating Cash Disbursements:			
Security of Persons and Property	47,804	-	47,804
Other	3,343	-	3,343
Total Operating Cash Disbursements	<u>51,147</u>	<u>-</u>	<u>51,147</u>
Operating Income (Loss)	<u>(23,161)</u>	<u>-</u>	<u>(23,161)</u>
Non-Operating Cash Receipts/Disbursements:			
Other Non-Operating Cash Receipts	-	28,817	28,817
Other Non-Operating Cash Disbursements	-	(43,260)	(43,260)
Total Non-Operating Cash Receipts/Disbursements	<u>-</u>	<u>(14,443)</u>	<u>(14,443)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	(23,161)	(14,443)	(37,604)
Transfer-In	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Net Receipts Over/(Under) Cash Disbursements	(21,961)	(14,443)	(36,404)
Fund Cash Balances, January 1	<u>89,780</u>	<u>15,337</u>	<u>105,117</u>
Fund Cash Balances, December 31	<u>\$ 67,819</u>	<u>\$ 894</u>	<u>\$ 68,713</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, 2005**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 260,887	\$ 91,723	\$ 19,216	\$ -	\$ 371,826
Municipal Income Taxes	912,183	241,335	-	65,112	1,218,630
Intergovernmental	247,306	276,526	1,653	-	525,485
Charges for Services	15,413	-	-	-	15,413
Fines, Licenses, and Permits	9,017	17,620	-	-	26,637
Earnings on Investments	10,013	2,979	-	-	12,992
Miscellaneous	69,716	54,242	-	-	123,958
	<u>1,524,535</u>	<u>684,425</u>	<u>20,869</u>	<u>65,112</u>	<u>2,294,941</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	315,360	317,631	-	-	632,991
Public Health Services	25,416	3,214	-	-	28,630
Leisure Time Activities	13,025	-	-	-	13,025
Community Environment	-	54,356	-	-	54,356
Basic Utility Services	97,048	45,962	-	-	143,010
Transportation	23,329	64,480	-	-	87,809
General Government	934,567	-	-	-	934,567
Debt Service:					
Redemption of Principal	22,459	-	32,573	-	55,032
Interest and Fiscal Charges	7,612	-	3,855	-	11,467
Capital Outlay	-	156,254	-	72,911	229,165
	<u>1,438,816</u>	<u>641,897</u>	<u>36,428</u>	<u>72,911</u>	<u>2,190,052</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Disbursements	<u>85,719</u>	<u>42,528</u>	<u>(15,559)</u>	<u>(7,799)</u>	<u>104,889</u>
Other Financing Receipts and (Disbursements):					
Proceeds from Sale of Public Debt:					
Note Proceeds	17,200	-	-	-	17,200
Transfer-In	-	63,890	-	-	63,890
Transfer-Out	(63,890)	-	-	-	(63,890)
	<u>(46,690)</u>	<u>63,890</u>	<u>-</u>	<u>-</u>	<u>17,200</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	39,029	106,418	(15,559)	(7,799)	122,089
Fund Cash Balances, January 1	<u>106,823</u>	<u>153,523</u>	<u>38,532</u>	<u>30,673</u>	<u>329,551</u>
Fund Cash Balances, December 31	<u>\$ 145,852</u>	<u>\$ 259,941</u>	<u>\$ 22,973</u>	<u>\$ 22,874</u>	<u>\$ 451,640</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, 2005**

	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Expendable Trust</u>	<u>Agency Fund</u>	
Operating Cash Receipts:			
Property Tax and Other Local Tax	\$ 19,402	\$ -	\$ 19,402
Intergovernmental	1,986	-	1,986
Miscellaneous	2,000	-	2,000
	<u>23,388</u>	<u>-</u>	<u>23,388</u>
Operating Cash Disbursements:			
Security of Persons and Property	11,894	-	11,894
Other	3,360	-	3,360
	<u>15,254</u>	<u>-</u>	<u>15,254</u>
Operating Income (Loss)	<u>8,134</u>	<u>-</u>	<u>8,134</u>
Non-Operating Cash Receipts/Disbursements:			
Other Non-Operating Cash Receipts	-	19,483	19,483
Other Non-Operating Cash Disbursements	-	(8,619)	(8,619)
	<u>-</u>	<u>10,864</u>	<u>10,864</u>
Net Receipts Over/(Under) Cash Disbursements	8,134	10,864	18,998
Fund Cash Balances, January 1	<u>81,646</u>	<u>4,473</u>	<u>86,119</u>
Fund Cash Balances, December 31	<u>\$ 89,780</u>	<u>\$ 15,337</u>	<u>\$ 105,117</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, 2006 AND 2005**

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. Basis of Accounting

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. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, 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.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(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 Pumper Grant Fund – This fund received federal money for the purpose of a new Fire Truck.

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

3. Debt Service Funds

The Debt Service 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 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.

5. Fiduciary Funds (Trust and Agency Funds)

These 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 following Fiduciary Funds:

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Fiduciary Funds (Trust and Agency Funds) (Continued)

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 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 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 canceled, and reappropriated in the subsequent year.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

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. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH

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

	<u>2006</u>	<u>2005</u>
Demand deposits	<u>\$623,577</u>	<u>\$556,757</u>

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

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,547,512	\$1,547,512	\$0
Special Revenue	666,675	666,675	0
Debt Service	17,062	17,062	0
Capital Projects	63,640	63,640	0
Expendable Trust	29,186	29,186	0
Total	\$2,324,075	\$2,324,075	\$0

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,592,936	\$1,513,812	\$79,124
Special Revenue	703,861	632,051	71,810
Debt Service	38,400	39,567	(1,167)
Capital Projects	34,000	6,235	27,765
Expendable Trust	16,150	51,147	(34,997)
Total	\$2,385,347	\$2,242,812	\$142,535

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,541,734	\$1,541,735	\$1
Special Revenue	748,557	748,315	(242)
Debt Service	20,870	20,869	(1)
Capital Projects	67,000	65,112	(1,888)
Expendable Trust	23,400	23,388	(12)
Total	\$2,401,561	\$2,399,419	(\$2,142)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,556,025	\$1,502,706	\$53,319
Special Revenue	700,738	641,897	58,841
Debt Service	38,400	36,428	1,972
Capital Projects	90,911	72,911	18,000
Expendable Trust	17,894	15,254	2,640
Total	\$2,403,968	\$2,269,196	\$134,772

Contrary to Ohio Rev. Code Section 5705.39, the Flood Defense Fund had appropriations exceeding total estimated resources during 2006.

Contrary to Ohio Rev. Code Section 5705.41 (B), expenditures exceeded appropriations during 2006 in the Debt Service Fund and Expendable Trust Fund.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
General Obligation Bond: Road & Bridge Maintenance	\$ 16,000	5.23%
Loan: VAC Truck	19,181	4.75%
Loan: Community Building Improvement	734	3.50%
Total	\$ 35,915	

The General Obligation Bond - Garbage Packer was for \$74,000 to purchase a garbage truck in 2000 with yearly payments of \$17,567 for the remaining 5 years. This debt was paid off in 2005.

The General Obligation Bond-Road & Bridge Maintenance is a general obligation bond of \$160,000 for Paving certain Road and Alleys, and repairing bridges. The bond was issued in 1997 with an interest rate of 5.23% and principal and interest payments of \$16,000 plus interest yearly.

The VAC Truck loan is a general obligation loan of \$85,500 for a remanufactured VAC Truck purchased in 2002 with yearly payments of \$21,894 for the remaining 5 years. This loan was not recognized on the prior audit. It had an outstanding balance of \$50,708 at 12/31/04.

The Community Building Improvement is a general obligation loan of \$ 17,200 for the renovation of the community building. This loan was issued in 2005 with monthly payments of \$743.

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

	Bond Road & Bridge	Loan Vac Truck	Loan Community Building
<u>Year ending December 31:</u>			
2007	\$ 16,837	\$ 21,894	\$ 743

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 required the Village to make payments monthly beginning in March of 2006 until paid in full in 2009. The Village made payments totaling \$2,358 during the audit period. After the last payment in 2009, ownership will be transferred to the Village.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. LEASE OBLIGATION (Continued)

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 required the Village to make payments monthly beginning in July 2006 until paid in full in 2009. The Village made payments totaling \$2,149 during the audit period. After the last payment in 2009, ownership will be transferred to the Village.

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 and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multi-employer plans. 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 2006 and 2005, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages and 24% of fire participant wages. Members of OPERS contributed 9.0% and 8.5%, respectively, of their gross salaries. The Village contributed an amount equal to 13.70% of participants' gross salaries in 2006 and 13.55% in 2005. The Village has paid all contributions required through December 31, 2006.

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

((Continued))

9. 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.

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.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

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

December 21, 2007

Village of New Boston
Scioto County
24 East Main Street
New Boston, Ohio 43701

To the Village Council:

We have audited the financial statements of the Village of New Boston, Scioto County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated December 21, 2007 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-006.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiency 2006-001 is 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 instances of noncompliance or other matters that we must report under *Government Auditing Standard* which are described in the accompanying schedule of findings as items 2006-003 through 2006-006.

This report is intended solely for the information and use of management and Village Council and is not intended to be, and should not be used by anyone other than these specified parties.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

VILLAGE OF NEW BOSTON
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005

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

FINDING NUMBER 2006-001

Significant Deficiency/Material Weakness

Posting Revenues and Expenditures

During 2005 and 2006, several expenditures related to debt were not posted into accurate Funds and /or classifications based on the source of the expenditure. These disposing resulted in several audit adjustments and reclassifications.

We recommend the Clerk refer to the Village Handbook for guidance to determine the proper establishment of expenditure accounts and posting of revenues and expenditures.

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

FINDING NUMBER 2006-002

Significant Deficiency

Posting Estimated Revenues and Appropriations

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate.

We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

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

VILLAGE OF NEW BOSTON
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005

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

FINDING NUMBER 2006-003

Noncompliance Citation/Significant Deficiency

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 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 Fund.

During the audit period, the Village Mayor's Court collected, but failed to remit payments to the State in a timely manner from January to July 2005. The Village Mayor's Court should remit moneys owed to the State in a timely manner.

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

FINDING NUMBER 2006-004

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the Village to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During 2006, total appropriations exceeded total estimated resources in the Flood Defense Fund.

Village Council should monitor appropriations versus estimated resources to help avoid overspending.

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

**VILLAGE OF NEW BOSTON
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS FINDING NUMBER 2006-005
--

Noncompliance Citation/Significant Deficiency

Ohio Revised Code 733.40 requires, except as otherwise provided in Ohio Revised Code Section 4511.193, all fines, forfeitures, and cost in ordinance cases and all fees collected by the mayor, or which in any manner come into his or her hands, or which are due to such mayor or a marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses which have been advanced out of the treasury of the municipal corporation, and all money received by such mayor for the use of such municipal corporation, shall be paid by clerk into the Village's treasury on the first Monday of each month.

Our review of the Village's Mayor's Court disclosed the following:

- From January to July 2005, Mayor's Court reports were not presented to the Council monthly. Remittances were not made monthly to the Village's General Fund or to the State of Ohio.
- From January to July 2005, Mayor's Court did not perform bank reconciliation's. This allowed errors and irregularities to go undetected.
- From January to July 2005, Mayor's Court did not have duplicate receipts attached to the deposit.

These weaknesses could allow recording errors and irregularities to occur and remain undetected. Adjustments were made to the Village's books to properly reflect the activity of the Mayor's Court.

We recommend the Village distribute fines collected by the Village's Mayor's Court to the Village's General Fund and other applicable agencies by the required dates. In addition, we recommend that only distributions of Mayor's Court collections be made from the Mayor's Court Fund. A monthly reconciliation should be compiled and signed by Mayor then presented to Council for approval.

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

FINDING NUMBER 2006-006

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2006 in the Debt Service Fund.

We recommend the Fiscal Officer modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations.

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, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC Section 2743.70 and 2949.091 – Failure for Mayor’s Court to submit moneys to the State	No	Not Corrected, Repeated as finding 2006-003.
2004-002	ORC Section 1905.21 – Failure for Mayor’s Court to submit moneys to the Village	No	Not Corrected, Repeated as part of finding 2006-005
2004-003	Mayor’s Court Recon. – Didn’t perform monthly bank reconciliation’s	No	Not Corrected, Repeated as part of finding 2006-005.
2004-004	Mayor’s Court Daily Deposit – Daily deposits didn’t agree to daily receipts	No	Not Corrected, Repeated as part of finding 2006-005.
2004-005	Mayor’s Court Manual Receipts – Manual Receipts not posted to computer system	Yes	N/A
2004-006	Mayor’s Court Computer System – New software should be obtained	Yes	N/A
2004-007	Police Ticket Log – Didn’t maintain complete and accurate citation log	Yes	N/A



Mary Taylor, CPA
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
JANUARY 29, 2008**