



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEWTOWN
HAMILTON COUNTY

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Mary Taylor, CPA

Auditor of State

Village of Newtown
Hamilton County
3536 Church Street
Newtown, Ohio 45244

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 22, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Newtown
Hamilton County
3536 Church Street
Newtown, Ohio 45244

To the Village Council:

We have audited the accompanying financial statements of the Village of Newtown, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 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 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, 2005 and 2004 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, 2005 and 2004, or its changes in financial position 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 Newtown, Hamilton County, Ohio as of December 31, 2005 and 2004, 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, 2005 and 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 February 22, 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.



Mary Taylor, CPA
Auditor of State

February 22, 2007

**VILLAGE OF NEWTOWN
HAMILTON 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>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Totals (Memorandum Only)</u> |
|--|---------------------------|----------------------------|-------------------------|-----------------------------|---|
| Cash Receipts: | | | | | |
| Property Tax and Other Local Taxes | \$174,411 | \$379,885 | \$0 | \$0 | \$554,296 |
| Municipal Income Tax | 912,971 | | | | 912,971 |
| Intergovernmental Receipts | 275,008 | 187,286 | | 654,913 | 1,117,207 |
| Charges for Services | 314 | 17,915 | | | 18,229 |
| Fines, Licenses, and Permits | 86,681 | 15,883 | | | 102,564 |
| Earnings on Investments | 70,085 | 5,042 | | | 75,127 |
| Miscellaneous | 46,892 | 5,810 | | 558,458 | 611,160 |
| Total Cash Receipts | <u>1,566,362</u> | <u>611,821</u> | <u>0</u> | <u>1,213,371</u> | <u>3,391,554</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 593,755 | 449,976 | | | 1,043,731 |
| Public Health Services | | 1,390 | | | 1,390 |
| Leisure Time Activities | | 19,700 | | | 19,700 |
| Basic Utility Services | 101,560 | | | | 101,560 |
| Transportation | 191,426 | 62,601 | | | 254,027 |
| General Government | 412,020 | 4,912 | | | 416,932 |
| Debt Service: | | | | | |
| Principal Payments | | | | 4,895 | 4,895 |
| Interest Payments | | | | 2,587 | 2,587 |
| Capital Outlay | | 22,953 | | 1,182,062 | 1,205,015 |
| Total Cash Disbursements | <u>1,298,761</u> | <u>561,532</u> | <u>0</u> | <u>1,189,544</u> | <u>3,049,837</u> |
| Total Receipts Over Disbursements | <u>267,601</u> | <u>50,289</u> | <u>0</u> | <u>23,827</u> | <u>341,717</u> |
| Other Financing Receipts and (Disbursements): | | | | | |
| Sale of Fixed Assets | 1,000 | | | | 1,000 |
| Transfers-In | 418,600 | 12,000 | | 35,429 | 466,029 |
| Advances-In | 98,177 | 98,177 | | | 196,354 |
| Transfers-Out | (47,429) | | (418,600) | | (466,029) |
| Advances-Out | (98,177) | (98,177) | | | (196,354) |
| Other Financing Sources | | | | 79,218 | 79,218 |
| Total Other Financing Receipts/(Disbursements) | <u>372,171</u> | <u>12,000</u> | <u>(418,600)</u> | <u>114,647</u> | <u>80,218</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 639,772 | 62,289 | (418,600) | 138,474 | 421,935 |
| Fund Cash Balances, January 1 | 824,943 | 332,865 | 418,600 | 886,245 | 2,462,653 |
| Fund Cash Balances, December 31 | <u>\$1,464,715</u> | <u>\$395,154</u> | <u>\$0</u> | <u>\$1,024,719</u> | <u>\$2,884,588</u> |
| Reserves for Encumbrances, December 31 | <u>\$20,970</u> | <u>\$5,123</u> | <u>\$0</u> | <u>\$61,649</u> | <u>\$87,742</u> |

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

VILLAGE OF NEWTOWN
HAMILTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| | |
|--|-------------------------------|
| Non-Operating Cash Receipts: | |
| Other Non-Operating Receipts | <u>\$89,566</u> |
| Total Non-Operating Cash Receipts | <u>89,566</u> |
| Non-Operating Cash Disbursements: | |
| Other Non-Operating Cash Disbursements | <u>77,815</u> |
| Total Non-Operating Cash Disbursements | <u>77,815</u> |
| Net Receipts Over Disbursements | 11,751 |
| Fund Cash Balances, January 1 | <u>13,286</u> |
| Fund Cash Balances, December 31 | <u><u>\$25,037</u></u> |

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

**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

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

| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Totals (Memorandum Only)</u> |
|---|-------------------------|----------------------------|-------------------------|-----------------------------|---|
| Cash Receipts: | | | | | |
| Property Tax and Other Local Taxes | \$171,271 | \$541,319 | \$0 | \$0 | \$712,590 |
| Municipal Income Tax | 897,444 | | | | 897,444 |
| Intergovernmental Receipts | 98,066 | 182,281 | | 23,100 | 303,447 |
| Charges for Services | 214 | 20,954 | | | 21,168 |
| Fines, Licenses, and Permits | 53,982 | 11,637 | | | 65,619 |
| Earnings on Investments | 36,508 | 1,472 | | | 37,980 |
| Miscellaneous | 29,172 | | | | 29,172 |
| Total Cash Receipts | <u>1,286,657</u> | <u>757,663</u> | <u>0</u> | <u>23,100</u> | <u>2,067,420</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 502,089 | 631,301 | | | 1,133,390 |
| Public Health Services | | 11,080 | | | 11,080 |
| Leisure Time Activities | | 19,242 | | | 19,242 |
| Basic Utility Services | 85,538 | | | | 85,538 |
| Transportation | 165,569 | 54,720 | | | 220,289 |
| General Government | 341,891 | 5,533 | | | 347,424 |
| Debt Service: | | | | | |
| Principal Payments | | | | 2,393 | 2,393 |
| Interest Payments | | | | 2,479 | 2,479 |
| Capital Outlay | | 47,804 | | 550,644 | 598,448 |
| Total Cash Disbursements | <u>1,095,087</u> | <u>769,680</u> | <u>0</u> | <u>555,516</u> | <u>2,420,283</u> |
| Total Receipts Over/(Under) Disbursements | <u>191,570</u> | <u>(12,017)</u> | <u>0</u> | <u>(532,416)</u> | <u>(352,863)</u> |
| Other Financing Receipts and (Disbursements): | | | | | |
| Sale of Fixed Assets | 823 | | | | 823 |
| Transfers-In | | 11,050 | | 315,243 | 326,293 |
| Advances-In | 76,000 | 76,000 | | | 152,000 |
| Transfers-Out | (247,702) | | | (78,591) | (326,293) |
| Advances-Out | (76,000) | (76,000) | | | (152,000) |
| Total Other Financing Receipts/(Disbursements) | <u>(246,879)</u> | <u>11,050</u> | <u>0</u> | <u>236,652</u> | <u>823</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>(55,309)</u> | <u>(967)</u> | <u>0</u> | <u>(295,764)</u> | <u>(352,040)</u> |
| Fund Cash Balances, January 1 | <u>880,252</u> | <u>333,832</u> | <u>418,600</u> | <u>1,182,009</u> | <u>2,814,693</u> |
| Fund Cash Balances, December 31 | <u><u>\$824,943</u></u> | <u><u>\$332,865</u></u> | <u><u>\$418,600</u></u> | <u><u>\$886,245</u></u> | <u><u>\$2,462,653</u></u> |
| Reserves for Encumbrances, December 31 | <u><u>\$47,002</u></u> | <u><u>\$1,876</u></u> | <u><u>\$0</u></u> | <u><u>\$26,757</u></u> | <u><u>\$75,635</u></u> |

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

VILLAGE OF NEWTOWN
HAMILTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

| | |
|--|-------------------------------|
| Non-Operating Cash Receipts: | |
| Other Non-Operating Receipts | <u>\$64,298</u> |
| Total Non-Operating Cash Receipts | <u>64,298</u> |
| Non-Operating Cash Disbursements: | |
| Other Non-Operating Cash Disbursements | <u>51,993</u> |
| Total Non-Operating Cash Disbursements | <u>51,993</u> |
| Net Receipts Over Disbursements | 12,305 |
| Fund Cash Balances, January 1 | <u>981</u> |
| Fund Cash Balances, December 31 | <u><u>\$13,286</u></u> |

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

**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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 Newtown, Hamilton County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides park operations and police services. The Village joined the Little Miami Joint Fire Rescue District during 2004. The Fire District provides fire and EMS protection services to the Village.

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

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values U.S. Treasury Notes at cost. Money market mutual funds (including STAR Ohio) are recorded at share values.

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.

2. Special Revenue Funds

These funds 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:

Fire Fund - This fund receives special levy money for maintaining the Village's joint fire district in 2004 and for maintaining Village fire hydrants after joining the Little Miami Joint Fire Rescue District.

**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant Capital Project Fund:

Capital Improvement Fund - This fund is used to repay the Ohio Public Works for funds in road repair.

4. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Fiduciary Fund:

Mayor's Court - This fund collects and distributes court fines to the Village and State.

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.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

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.

**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 AND INVESTMENTS

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

| | 2005 | 2004 |
|--------------------------------|-------------|-------------|
| Demand deposits | \$1,756,433 | \$26,970 |
| Total deposits | 1,756,433 | 26,970 |
| Federal Securities | 399,121 | 243,517 |
| STAR Ohio | 205,532 | 299,180 |
| Sweep Account | 185,065 | 180,083 |
| US Treasury Mutual Fund | 363,474 | 1,726,189 |
| Total investments | 1,153,192 | 2,448,969 |
| Total deposits and investments | \$2,909,625 | \$2,475,939 |

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

Investments: The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

| 2005 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,690,882 | \$2,083,139 | \$392,257 |
| Special Revenue | 699,168 | 721,998 | 22,830 |
| Capital Projects | 2,407,908 | 1,328,019 | (1,079,889) |
| Total | \$4,797,958 | \$4,133,156 | (\$664,802) |

**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|--------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$2,458,837 | \$1,465,337 | \$993,500 |
| Special Revenue | 945,597 | 664,832 | 280,765 |
| Debt Service | 418,600 | 418,600 | 0 |
| Capital Projects | 3,215,765 | 1,251,193 | 1,964,572 |
| Total | <u>\$7,038,799</u> | <u>\$3,799,962</u> | <u>\$3,238,837</u> |

| 2004 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,389,998 | \$1,363,480 | (\$26,518) |
| Special Revenue | 779,539 | 844,713 | 65,174 |
| Capital Projects | 1,383,431 | 338,343 | (1,045,088) |
| Total | <u>\$3,552,968</u> | <u>\$2,546,536</u> | <u>(\$1,006,432)</u> |

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|--------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$2,130,439 | \$1,465,791 | \$664,648 |
| Special Revenue | 1,014,937 | 847,556 | 167,381 |
| Debt Service | 2,348,641 | 0 | 2,348,641 |
| Capital Projects | 2,442,034 | 660,863 | 1,781,171 |
| Total | <u>\$7,936,051</u> | <u>\$2,974,210</u> | <u>\$4,961,841</u> |

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one 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.

The Village contracts with the Regional Income Tax Agency (RITA) to collect income taxes on behalf of the Village. RITA charges a three percent retainer each month. Unused retainer fees are returned to the Village in the subsequent year.

6. DEBT

Debt outstanding at December 31, 2005 was as follows:

| | Principal | Interest Rate |
|----------------------|-----------|---------------|
| OPWC - Route 32 | \$80,000 | 3.00% |
| OPWC - Church Street | 82,557 | 0.00% |
| Total | \$162,557 | |

The Village was awarded \$89,845 by the Ohio Public Works Commission on July 1, 2000, for the Church Street improvements project in the form of a loan. The loan will be repaid in semi-annual payments of \$3,741 on January 1 and July 1 of each year for 15 years. The final payment is due on July 1, 2019. The loan is collateralized by the village tax revenue.

The Village was awarded \$80,000 by the Ohio Public Works Commission on November 15, 1999, for the Route 32 improvements project in the form of a loan. An amortization schedule for the loan will be established once the project is complete. The loan is collateralized by the village tax revenue.

Amortization of the above debt, including interest, follows:

| Year ending December 31: | OPWC - Church Street |
|--------------------------|----------------------------|
| 2006 | \$3,741 |
| 2007 | 7,482 |
| 2008 | 7,482 |
| 2009 | 7,482 |
| 2010 | 7,482 |
| 2011-2015 | 37,410 |
| 2016-2020 | 29,928 |
| Total | \$101,007 |

**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RETIREMENT SYSTEMS

The Village's full time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). All other employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

8. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 coverages, 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

| | 2005 | 2004 |
|-----------------|--------------------|--------------------|
| Assets | \$8,219,430 | \$6,685,522 |
| Liabilities | <u>(2,748,639)</u> | <u>(2,227,808)</u> |
| Members' Equity | <u>\$5,470,791</u> | <u>\$4,457,714</u> |

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

9. COMPLIANCE

The Village did not keep a printed official minute record of all official proceedings as required by Ohio law.

10. TRANSFER

The Village had a \$418,600 balance in the Debt Service Fund resulting from an over funding of a fire truck apparatus and lower bids on road construction projects. The Village petitioned to have the funds transferred to the General Fund and was granted such petition July 7, 2005 in the Court of Common Pleas in Hamilton County, Ohio for future operating and capital improvements of the Village.

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Mary Taylor, CPA

Auditor of State

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

Village of Newtown
Hamilton County
3536 Church Street
Newtown, Ohio 45244

To the Village Council:

We have audited the financial statements of the Village of Newtown, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated February 22, 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 also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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 Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

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 material to the financial statements we audited may occur and not be timely detected by employees when 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 matters in the internal control that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated February 22, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Village's management dated February 22, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, and the Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 22, 2007

**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 733.27(A), requires the Village Clerk to attend all meeting of Council and keep a record of its proceedings and of all rules, bylaws, resolution and ordinances passed or adopted, which shall be subject to the inspection of all persons interested.

Ohio Rev. Code, Section 149.43(B)(1), requires all public records to be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours.

During our review of the Village minutes, the 2004, 2005, and 2006 minutes were not available for review, although according to Council, the meetings were tape recorded and not transcribed.

Council provides a key monitoring control for the Village when they review and approve financial and other reports submitted during each meeting. In addition, the primary functions of the Finance Committee are to monitor and review the Village's accounting and financial reporting practices and to follow up on citations and recommendations made by its auditors. The minutes are the official record of the Council and should document all pertinent actions. To strengthen internal controls and document the official actions of Council, we recommend the Council record all official actions within the minutes. If the minutes are tape recorded, the recordings should be transcribed on a timely basis and made available to the public. Subsequently, a person has been hired to post the minutes up to date and to keep them current.

Officials' Response:

The Village is in the process of updating the official minutes.

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**VILLAGE OF NEWTOWN
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|---|
| 2003-001 | Mayor's Court book balance was more than bank balance. | Yes | |
| 2003-002 | ORC 5705.41(D), failure to properly certify availability of funds. | Yes | |
| 2003-003 | ORC 733.27(A), failure to maintain record of the Village's proceedings. | No | Not corrected. Reissued as 2005-001. |
| 2003-003 | ORC 149.43(B)(1), failure to promptly prepare minute proceedings. | No | Not corrected. Reissued as 2005-001. |
| 2003-004 | ORC 733.40, failure to properly maintain a cashbook and failure to pay out monies to the proper authority in a timely manner. | No | Partially corrected. Reissued in the management letter. A cashbook was maintained and monies remitted but not according to the statute time line. |



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEWTOWN

HAMILTON 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
APRIL 3, 2007