

**VILLAGE OF NEWTOWN
HAMILTON COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006**



Mary Taylor, CPA

Auditor of State

Village Council
Village of Newton
3536 Church Street
Newtown, Ohio 45244

We have reviewed the *Independent Auditors' Report* of the Village of Newton, Hamilton County, prepared by Bastin & Company, LLC, for the audit period January 1, 2006 through December 31, 2007. 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 Newton is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 17, 2008

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**VILLAGE OF NEWTOWN
HAMILTON COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of Village Council
Village of Newtown
3536 Church Street
Newtown, Ohio 45244

We have audited the accompanying financial statements of Village of Newtown, Hamilton County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards require 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, villages 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, 2007 and 2006 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, 2007 and 2006, or their 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 as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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, 2007 and 2006. 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 October 24, 2008, on our consideration of the Village's internal control over financial reporting and on 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
October 24, 2008

**VILLAGE OF NEWTOWN
HAMILTON COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 218,302	\$ 40,106	\$ -	\$ 258,408
Municipal Income Tax	1,107,260	-	-	1,107,260
Intergovernmental Revenues	99,651	158,060	333,339	591,050
Charges for Services	133	17,430	-	17,563
Fines, Licenses and Permits	148,832	31,629	-	180,461
Earnings on Investments	78,078	12,816	-	90,894
Miscellaneous	28,446	-	-	28,446
	<u>1,680,702</u>	<u>260,041</u>	<u>333,339</u>	<u>2,274,082</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	554,203	17,910	-	572,113
Public Health Services	-	2,717	-	2,717
Leisure Time Activities	-	105,288	-	105,288
Basic Utility Services	108,023	-	-	108,023
Transportation	104,926	96,673	-	201,599
General Government	589,085	3,357	-	592,442
Capital Outlay	-	51,412	686,305	737,717
Debt Service:				
Principal Payment	-	-	9,195	9,195
Interest and Fiscal Charges	-	-	2,287	2,287
	<u>1,356,237</u>	<u>277,357</u>	<u>697,787</u>	<u>2,331,381</u>
Total Receipts Over (Under) Disbursements	<u>324,465</u>	<u>(17,316)</u>	<u>(364,448)</u>	<u>(57,299)</u>
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets	4,900	-	-	4,900
Transfers-In	-	106,000	281,969	387,969
Transfers-Out	<u>(387,969)</u>	<u>-</u>	<u>-</u>	<u>(387,969)</u>
Total Other Financing Receipts (Disbursements)	<u>(383,069)</u>	<u>106,000</u>	<u>281,969</u>	<u>4,900</u>
-				
Excess of Cash Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(58,604)	88,684	(82,479)	(52,399)
Fund Cash Balances, January 1	<u>998,523</u>	<u>435,074</u>	<u>602,089</u>	<u>2,035,686</u>
Fund Cash Balances, December 31	<u>\$ 939,919</u>	<u>\$ 523,758</u>	<u>\$ 519,610</u>	<u>\$ 1,983,287</u>
Reserve for Encumbrances, December 31	<u>\$ 4,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,216</u>

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

**VILLAGE OF NEWTOWN
HAMILTON COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Fiduciary Fund</u>
	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	\$ 112,611
Total Non-Operating Cash Receipts	<u>112,611</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>162,429</u>
Total Cash Disbursements	<u>162,429</u>
Total Receipts Over (Under) Disbursements	(49,818)
Fund Cash Balances, January 1	<u>49,818</u>
Fund Cash Balances, December 31	<u><u>\$ -</u></u>

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

**VILLAGE OF NEWTOWN
HAMILTON COUNTY, OHIO**

**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>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 212,193	\$ 280,296	\$ -	\$ 492,489
Municipal Income Tax	1,041,065	2,956	-	1,044,021
Intergovernmental Revenues	154,579	172,756	904,401	1,231,736
Charges for Services	231	16,740	-	16,971
Fines, Licenses and Permits	111,887	20,338	-	132,225
Earnings on Investments	92,026	9,131	-	101,157
Miscellaneous	37,046	298	-	37,344
Total Cash Receipts	<u>1,649,027</u>	<u>502,515</u>	<u>904,401</u>	<u>3,055,943</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	568,541	404,459	-	973,000
Public Health Services	-	1,595	-	1,595
Leisure Time Activities	-	23,087	-	23,087
Basic Utility Services	95,955	-	-	95,955
Transportation	137,697	72,395	-	210,092
General Government	576,638	19,247	-	595,885
Capital Outlay	-	13,719	1,980,530	1,994,249
Debt Service:				
Principal Payment	-	-	9,043	9,043
Interest and Fiscal Charges	-	-	2,439	2,439
Total Cash Disbursements	<u>1,378,831</u>	<u>534,502</u>	<u>1,992,012</u>	<u>3,905,345</u>
Total Receipts Over (Under) Disbursements	<u>270,196</u>	<u>(31,987)</u>	<u>(1,087,611)</u>	<u>(849,402)</u>
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets	500	-	-	500
Transfers-In	-	71,907	664,981	736,888
Transfers-Out	(736,888)	-	-	(736,888)
Advances-In	36,578	-	36,578	73,156
Advances-Out	(36,578)	-	(36,578)	(73,156)
Total Other Financing Receipts (Disbursements)	<u>(736,388)</u>	<u>71,907</u>	<u>664,981</u>	<u>500</u>
Excess of Cash Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(466,192)	39,920	(422,630)	(848,902)
Fund Cash Balances, January 1	<u>1,464,715</u>	<u>395,154</u>	<u>1,024,719</u>	<u>2,884,588</u>
Fund Cash Balances, December 31	<u>\$ 998,523</u>	<u>\$ 435,074</u>	<u>\$ 602,089</u>	<u>\$ 2,035,686</u>
Reserve for Encumbrances, December 31	<u>\$ 19,886</u>	<u>\$ -</u>	<u>\$ 441,426</u>	<u>\$ 461,312</u>

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

**VILLAGE OF NEWTOWN
HAMILTON COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Fiduciary Fund</u>
	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	\$ 121,204
Total Non-Operating Cash Receipts	<u>121,204</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>96,423</u>
Total Cash Disbursements	<u>96,423</u>
Total Receipts Over (Under) Disbursements	24,781
Fund Cash Balances, January 1	<u>25,037</u>
Fund Cash Balances, December 31	<u><u>\$ 49,818</u></u>

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

**VILLAGE OF NEWTOWN
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Newtown, Hamilton County, Ohio (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 road maintenance, 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 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

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 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 Funds:

**VILLAGE OF NEWTOWN
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

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

State Highway Improvement Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing state highways within the Village.

Parks and Recreation Fund – This fund receives tax money to provide for operations and maintenance of parks for the Village.

3. Capital Projects Fund

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

Capital Improvement Fund – This fund is used construct various capital projects within the Village as well as repay the Ohio Public Works for loans that provided funds for road repairs.

Church Street South Fund – This fund is used to construct improvements to Church Street which are funded by Ohio Public Works grants.

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 Fund – 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 fund, function or 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.

**VILLAGE OF NEWTOWN
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

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 re-appropriated in the subsequent year.

A summary of 2007 and 2006 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.

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.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

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:

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 725,511	\$ 883,936
Total deposits	<u>725,511</u>	<u>883,936</u>
STAR Ohio	226,932	215,789
Sweep Account	203,721	194,076
US Treasury Mutual Fund	<u>827,123</u>	<u>791,703</u>
Total Investments	<u>1,257,776</u>	<u>1,201,568</u>
Total deposits and investments	<u>\$1,983,287</u>	<u>\$2,085,504</u>

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF NEWTOWN
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,493,471	\$ 1,685,602	\$ 192,131
Special Revenue	355,000	366,041	11,041
Capital Projects	766,046	615,308	(150,738)
Total	\$ 2,614,517	\$ 2,666,951	\$ 52,434

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,411,509	\$ 1,748,422	\$ 663,087
Special Revenue	478,650	277,357	201,293
Capital Projects	1,357,896	697,787	660,109
Total	\$ 4,248,055	\$ 2,723,566	\$ 1,524,489

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,367,449	\$ 1,686,105	\$ 318,656
Special Revenue	550,202	574,422	24,220
Capital Projects	2,233,440	1,605,960	(627,480)
Total	\$ 4,151,091	\$ 3,866,487	\$ (284,604)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,649,164	\$ 2,172,183	\$ 476,981
Special Revenue	807,325	534,502	272,823
Capital Projects	3,243,648	2,470,016	773,632
Total	\$ 6,700,137	\$ 5,176,701	\$ 1,523,436

**VILLAGE OF NEWTOWN
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

4. PROPERTY TAXES

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 make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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 taxes, and for billing, collecting, and distributing all property taxes on behalf of the Village.

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.

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC - Route 32	\$ 72,000	0.00%
OPWC - Church Street	72,319	3.00%
Total	<u>\$ 144,319</u>	

The Village was awarded an \$80,000 loan by the Ohio Public Works Commission on November 15, 1999 for the Route 32 improvements project. This loan requires semi-annual payments of \$2,000 on January 1 and July 1 of each year for 20 years, beginning on July 1, 2006 with the final payment due on July 1, 2026.

The Village was awarded an \$89,845 loan by the Ohio Public Works Commission on July 1, 2000 for the Church Street improvements project. The loan requires semi-annual payments of \$3,741 on January 1 and July 1 of each year for 15 years, with the first principle payment beginning on January 1, 2005. The final payment is due on July 1, 2019.

**VILLAGE OF NEWTOWN
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

Amortization of the above debt, including interest follows:

Year Ending December 31:	OPWC Route 32	OPWC Church Street
2008	\$ 4,000	\$ 7,482
2009	4,000	7,482
2010	4,000	7,482
2011	4,000	7,482
2012	4,000	7,482
2013-2017	20,000	37,410
2018-2022	20,000	14,964
2023-2026	12,000	-
Total	\$72,000	\$89,784

7. RETIREMENT SYSTEMS

The Village's full time law enforcement officers 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 plans. The Ohio Revised Code prescribes the plans' retirement benefits, including post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10 percent of their gross salaries. The Village contributed an amount equal to 19.5 percent of participants' gross salaries.

For 2007 and 2006, OPER's members contributed 9.5 and 9 percent, respectively, of their gross salaries. The Village contributed an amount equal to 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

8. RISK MANAGEMENT

Risk Pool Membership

The Village 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 550 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 or 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.

**VILLAGE OF NEWTOWN
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

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

	2007	2006
Assets	\$11,136,455	\$ 9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members equity	<u>\$ 6,862,902</u>	<u>\$ 6,290,528</u>

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

9. TRANSFERS AND ADVANCES

During 2006 and 2007, transfers were made from the General fund to various funds to provide funding for operations of those funds or to fund capital project costs.

During 2006, advances were made from and returned to the General Fund from a capital project fund in order to provide temporary funding of a construction project.

Bastin & Company, LLC

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*

The Honorable Members of Village Council
Village of Newtown
3536 Church Street
Newtown, Ohio 45244

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, 2007 and 2006, and have issued our report thereon dated October 24, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 *Government Auditing Standards*, issued by the Comptroller General of the United States

Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

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 considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, grant agreements and other matters, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Village in a separate letter dated October 24, 2008.

This report is intended solely for the information and use of management and the Village Council 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 "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
October 24, 2008

**VILLAGE OF NEWTOWN
HAMILTON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 and 2006**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation
2005-001	ORC 733.27(A), failure to maintain record of the Village's proceedings.	Yes	The Village implemented improvements during the current audit period.



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
DECEMBER 2, 2008**