



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Newtonsville
Clermont County
17 West Main Street
Newtonsville, Ohio 45158

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 an 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 adverse 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.

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Mary Taylor, CPA
Auditor of State

February 13, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Newtonsville
Clermont County
17 West Main Street
Newtonsville, Ohio 45158

To the Village Council:

We have audited the accompanying financial statements of the Village of Newtonsville, Clermont 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 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.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 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 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 Newtonsville, Clermont County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2009, 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.

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

Mary Taylor, CPA
Auditor of State

February 13, 2009

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**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>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Local Taxes	\$3,586	\$0	\$0	\$3,586
Intergovernmental	28,701	23,158	29,525	81,384
Fines, Licenses and Permits	4,124	0	0	4,124
Earnings on Investments	111	160	0	271
Miscellaneous	566	0	0	566
	<u>37,088</u>	<u>23,318</u>	<u>29,525</u>	<u>89,931</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	3,941	0	0	3,941
Public Health Services	316	0	0	316
Transportation	0	5,500	0	5,500
General Government	31,659	0	0	31,659
Capital Outlay	0	0	29,525	29,525
	<u>35,916</u>	<u>5,500</u>	<u>29,525</u>	<u>70,941</u>
Total Cash Disbursements	<u>35,916</u>	<u>5,500</u>	<u>29,525</u>	<u>70,941</u>
Total Receipts Over/(Under) Disbursements	<u>1,172</u>	<u>17,818</u>	<u>0</u>	<u>18,990</u>
Other Financing Receipts / (Disbursements):				
Sale of Fixed Assets	1,000	0	0	1,000
Other Financing Sources	8,454	0	0	8,454
Other Financing Uses	(2,256)	0	0	(2,256)
	<u>7,198</u>	<u>0</u>	<u>0</u>	<u>7,198</u>
Total Other Financing Receipts / (Disbursements)	<u>7,198</u>	<u>0</u>	<u>0</u>	<u>7,198</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	8,370	17,818	0	26,188
Fund Cash Balances, January 1	<u>16,827</u>	<u>68,896</u>	<u>0</u>	<u>85,723</u>
Fund Cash Balances, December 31	<u>\$25,197</u>	<u>\$86,714</u>	<u>\$0</u>	<u>\$111,911</u>
Reserve for Encumbrances, December 31	<u>\$2,799</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,799</u>

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

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

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

	Fiduciary Fund Type
	Agency
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	\$1,259
Total Non-Operating Cash Receipts	1,259
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	1,259
Total Non-Operating Cash Disbursements	1,259
Net Receipts Over/(Under) Disbursements	0
Fund Cash Balances, January 1	0
Fund Cash Balances, December 31	\$0
Reserve for Encumbrances, December 31	\$0

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

**VILLAGE OF NEWTONSVILLE
CLERMONT 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>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$5,052	\$0	\$5,052
Intergovernmental	34,658	20,609	55,267
Fines, Licenses and Permits	12,175	400	12,575
Earnings on Investments	150	216	366
Miscellaneous	4,019	0	4,019
	<u>56,054</u>	<u>21,225</u>	<u>77,279</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	14,260	0	14,260
Public Health Services	290	0	290
Transportation	0	11,152	11,152
General Government	44,775	0	44,775
	<u>59,325</u>	<u>11,152</u>	<u>70,477</u>
Total Cash Receipts	<u>56,054</u>	<u>21,225</u>	<u>77,279</u>
Total Cash Disbursements	<u>59,325</u>	<u>11,152</u>	<u>70,477</u>
Total Receipts Over/(Under) Disbursements	<u>(3,271)</u>	<u>10,073</u>	<u>6,802</u>
Other Financing Receipts / (Disbursements):			
Sale of Fixed Assets	7,000	0	7,000
Transfers-In	11,369	0	11,369
Transfers-Out	0	(11,369)	(11,369)
Other Financing Sources	2,391	0	2,391
Other Financing Uses	0	(261)	(261)
	<u>20,760</u>	<u>(11,630)</u>	<u>9,130</u>
Total Other Financing Receipts / (Disbursements)	<u>20,760</u>	<u>(11,630)</u>	<u>9,130</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	17,489	(1,557)	15,932
Fund Cash Balances, January 1	<u>(662)</u>	<u>70,453</u>	<u>69,791</u>
Fund Cash Balances, December 31	<u>\$16,827</u>	<u>\$68,896</u>	<u>\$85,723</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

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

	Fiduciary Fund Type
	Agency
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	\$8,373
Total Non-Operating Cash Receipts	8,373
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	10,392
Total Non-Operating Cash Disbursements	10,392
Net Receipts Over/(Under) Disbursements	(2,019)
Fund Cash Balances, January 1	2,019
Fund Cash Balances, December 31	\$0
Reserve for Encumbrances, December 31	\$0

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

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 Newtonsville, Clermont County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street maintenance services. The Village also provided police services until May of 2006 when the Village contracted with Wayne Township for the police services. When the township police department was disbanded, the Clermont County Sheriffs was utilized to provide security of persons and property.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Deposits

The Village has an interest bearing checking account which is valued at cost.

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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had 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.

Cruiser Replacement Fund - This fund receives 20% of the court costs allocated to the Village for expenditures related to the purchase of new police department cruisers.

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

CDBG Fund – This fund receives revenues from the Community Development Block Grant for the purposes outlined in the approved grant application.

3. Fiduciary Fund (Agency Fund)

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following Fiduciary (agency) Fund:

Mayor's Court Fund – This fund accounts for fines collected by the Mayor's Court and distributed to the Village and other governmental agencies. The Mayor's Court discontinued operations and is only receiving payments from past due fines as of May 2006.

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. The 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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.

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. Equity in Pooled Cash and Investments

The Village maintains a cash and deposit 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:

	2007	2006
Demand deposits	\$111,911	\$85,723

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

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	\$52,105	\$46,542	(\$5,563)
Special Revenue	20,000	23,318	3,318
Capital Projects	0	29,525	29,525
Total	\$72,105	\$99,385	\$27,280

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$65,450	\$40,971	\$24,479
Special Revenue	24,977	5,500	19,477
Capital Projects	0	29,525	(29,525)
Total	\$90,427	\$75,996	\$14,431

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,925	\$76,814	(\$1,111)
Special Revenue	15,385	21,225	5,840
Total	\$93,310	\$98,039	\$4,729

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$73,481	\$59,325	\$14,156
Special Revenue	46,957	22,782	24,175
Total	\$120,438	\$82,107	\$38,331

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the CDBG fund by \$29,525 for the year ended December 31, 2007.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Retirement Systems

A. Ohio Public Employee Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the OPERS have an option to choose Social Security. As of December 31, 2007, one employee of the Village has elected Social Security. The employees' liability is 6.2 percent of wages paid.

6. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Risk Management (Continued)

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Risk Management (Continued)

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$5,328. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2005	\$6,871
2006	\$6,871
2007	\$4,633

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. Compliance

- The Village Mayor did not disburse fines timely.
- The Village did not post receipts accurately.
- The Village did not create a special revenue fund for CDBG funding.

VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

8. Transfers

The Village transferred \$7,940 from the Mayor's Court Computerization Fund and \$3,429 from the Police Cruiser Replacement Fund to the General Fund. The reason the transfers were made is because the Mayor's Court and Police Department were disbanded so the purpose for which the special revenue fund had been established had been terminated and obligations of the funds have been paid.

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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 ¹

Village of Newtonsville
Clermont County
17 West Main Street
Newtonsville, Ohio 45158

To the Village Council:

We have audited the financial statements of the Village of Newtonsville, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated February 13, 2009 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 also noted 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. 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 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.

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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 and 2007-003.

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.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe findings number 2007-002 and 2007-003 are also material weaknesses.

We noted certain matters that we reported to the Village's management in a separate letter dated February 13, 2009.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-003.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated February 13, 2009.

The Village's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Village's response and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

February 13, 2009

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Rev. Code, § 733.40, provides, in part, that all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor, that in any manner come in to the mayor's hands, or that are due the mayor, any other fees and expenses that have been advanced out of the treasury of the municipal corporation, and all money received by the mayor for the use of the municipal corporation shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all moneys received, from whom and for what purposes received, and when paid into the treasury.

It was noted that all ten, 100%, of disbursements from the Mayor to the Village in 2006 were made between the 8th and 28th of the following month and not prior to the first Monday of each month as required. In 2007, the fines collected were receipted directly as a village receipt.

Not depositing timely can result in loss of assets.

We recommend the Mayor review the Mayor's Court account activity so disbursements can be remitted to the Village within the mandated timeframe set through the Ohio Revised Code.

FINDING NUMBER 2007-002

Noncompliance Citation / Material Weakness

Ohio Rev. Code, § 733.28, requires, in part, that the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

The Village did not post receipts consistently or accurately during the audit period. Tax receipts were not consistently posted at the gross amount. Motor Vehicle License and Permissive Motor Vehicle License monies were posted to the General Fund. There were numerous instances when intergovernmental revenue was posted as tax revenue or fines, licenses, or permits. Village hall rent was posted as intergovernmental or fines, licenses and permits revenue. Mayor's Court fines were posted as Intergovernmental revenue. As a result, the financial statements revenues and fund balances were adjusted as follows:

	<i>General Fund Fines Licenses, and Permits</i>	<i>General Fund General Government Expenditures</i>	<i>General Fund Inter Govern Revenue</i>	<i>General Fund Misc. Rev</i>	<i>General Fund Tax Revenue</i>	<i>General Fund Sale of Fixed Assets</i>
FY 07	\$1,259	\$479	\$(4,473)	\$566	\$(177)	\$1,000
FY 06	586	487	(18,052)	4,019	(87)	7,000

**FINDING NUMBER 2007-002
 (Continued)**

	<i>Permissive MVL Fines Licenses and Permits</i>	<i>Permissive MVL Inter Govern Revenue</i>	<i>SCMR Inter Gov. Revenue</i>	<i>State Hwy Inter Gov. Revenue</i>	<i>CDBG Capital Outlay</i>	<i>CDBG Inter Gov Revenue</i>
FY 07	\$(5,542)	\$3,096	\$4,283	\$347	\$29,525	\$29,525
FY 06	(3,346)	3,103	4419	454	-	-

The Village should take due care when posting receipts to assure that they are posted to the proper fund and code. Using the proper fund and account code is essential to providing accurate financial statements for the village.

FINDING NUMBER 2007-003

Noncompliance Citation / Material Weakness

Ohio Rev. Code, § 5705.09(F), requires the village to establish a special fund for each class of revenues derived from a source other than general property tax, which the law requires to be used for a specific purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Village’s appropriations.

As further discussed in Auditor of State Bulletin 2000-008, the Village shall record the appropriations in accordance with the terms and conditions of the on-behalf grant or project agreement. In addition, prior to the Village recording the appropriations, Ohio Revised Code § 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

Ohio Rev. Code, § 5705.41(B), states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

The Village did not record Community Development Block Grant (CDBG) monies disbursed on behalf of the Village nor were the monies included in the appropriations by the Village for fiscal year 2007. The unrecorded CDBG on behalf monies totaled \$29,525 and was paid to Cooper’s Excavating, LLC.

The 2007 financial statements were adjusted accordingly.

We recommend the Village follow the accounting treatment as prescribed in Auditor of State Bulletin 2000-008 for on-behalf grants or improvement projects.

We did not receive a response from officials to the findings reported above.

**VILLAGE OF NEWTONSVILLE
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Village did not maintain invoices	Yes	Corrected
2005-002	Maintaining appropriate records.	No	Partially corrected. Receipts still posted to the incorrect fund and account codes. Reissued as 2007-002
2005-003	Remitting Mayor's Court money timely	No	Not corrected. Reissued as 2007-001
2005-004	ORC 5705.39 Appropriations exceeded estimated revenue	Yes	Corrected
2005-005	ORC 5705.41(D) Not properly encumbering	Yes	Corrected
2005-006	ORC 5705.41(B) Expenditures exceeded appropriations	Yes	Corrected
2005-007	OAC 117-2-02(D) Payroll records were incomplete	No	Partially corrected. See management letter.
2005-008	Monitoring Controls	Yes	Corrected.



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEWTONSVILLE

CLERMONT 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
MARCH 10, 2009